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Corrigenda to the Two Hundred and Seventeenth
Report of the Public Accounts Committee (1983-84)

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(PART II*)

**MINUTES OF SITTINGS OF THE COMMITTEE
HELD ON**

25-10-1983 (FN & AN)

26-4-1984 (AN)

***Not printed. (One cyclostyled copy laid on the Table of the
House and five copies placed in Parliament Library)**

PUBLIC ACCOUNTS COMMITTEE

(1983-84)

CHAIRMAN

Shri Sunil Maitra

MEMBERS

Lok Sabha

2. **Shri Chitta Basu**
3. **Smt. Vidyavati Chaturvedi**
4. **Shri C.T. Dhandapani**
5. **Shri G.L. Dogra**
6. **Shri Bhiku Ram Jain**
7. **Shri Satyanarayan Jatiya**
8. **Shri K. Lakkappa**
9. **Shri Mahavir Prasad**
10. **Shri Dhanik Lal Mandal**
11. **Shri Jamilur Rahman**
12. **Shri Uttam Rathod**
13. **Shri Harish Rawat**
14. **Shri G. Narsimha Reddy**
15. **Shri Ram Singh Yadav**

(iv)

Rajya Sabha

16. Dr. Sankata Prasad
17. Shri Syed Rahmat Ali
18. Smt. Pratibha Singh
- *19. Dr. (Smt.) Sathiavani Muthu
- *20. Dr. Harekrushna Mallick
21. Shri Nirmal Chatterjee
22. Shri Kalyan Roy

SECRETARIAT

1. Shri T. R. Krishnamachari—*Joint Secretary*
2. Shri H. S. Kohli—*Chief Financial Committee Officer*
3. Shri V. Jayaraman—*Senior Financial Committee Officer*

*Ceased to be members of the Committee consequent upon their retirement from Rajya Sabha w.e.f. 2-4-1984.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf, this Two Hundred and Seventeenth Report on paragraph 1.05 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil), Revenue Receipts, Volume II, Direct Taxes relating to Cost of Collection.

2. The Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil), Revenue Receipts, Volume II, Direct Taxes was laid on the Table of the House on 3 April, 1983. The Committee examined the audit paragraph at their sittings held on the 25th October, 1983 (FN & AN). The Committee considered and finalised the Report at their sitting held on 26th April, 1984, Minutes of the sittings of the Committee form part II* of the Report.

3. In this Report, the Committee have observed that the expenditure on collection of direct taxes, as a percentage of the total tax yield, had come down during the period 1977-78 to 1979-80 having reached 1.87 percent during 1979-80, thereafter it has gone up. The relatively high cost of collection of direct taxes will be more conspicuous on a deeper analysis of the data relating to the work of the Income-tax Department. As against the total gross collections of Rs. 3794 crores on account of taxes on income (including Corporation Tax) for the year 1981-82, only Rs. 327 crores related to post-assessment collections. As the functions devolving on the officers of the Department in respect of pre-assessment collections, by and large, comprise linking of such payments and crediting the same to the taxpayers' in their final assessment, the expenditure of Rs. 73.91 crores on the collection of the above taxes can be said to be mainly relatable to post-assessment collections which amounted to only Rs. 327 crores in 1981-82.

4. The Committee have noted that in the last five years *i.e.* from 1978-79 to 1982-83, the strength in the cadres of Commissioners, Inspecting Assistant Commissioners, Income-tax Officers and Income-tax Inspectors has been increased from 7891 (1978-79) to 3504 (1982-83). The number of Commissioners of Income-tax has gone up by 138, that

*Not printed. (One cyclostyled Copy laid on the Table of the House and five Copies placed in the Parliament Library),

of Inspecting Assistant Commissioners/Appellate Assistant Commissioners by 115 and Income-tax Officers by 286. Despite these increases, the Committee have observed with regret that the position in three vital areas of work in the Department *i. e.* assessments, collections, and appeals has not shown any improvement. The Committee have asked the Ministry of Finance to conduct a study as to how far the heavy expenditure on the increased strength has served its purpose and if the results have not been as expected, what are the reasons therefor and what remedial measures ought to be taken to improve the position.

5. The Committee have pointed out that the number of individual assesseees with a returned income of above Rs. 5 lakhs shown on the records of the Income-tax Department was only 90 as on 31-3-1982. What is more surprising is even this number has come down to 599 as on 31-3-1983. The Committee have found it difficult to believe that the number of individual assesseees with an income of over Rs. 5 lakhs could be only 599 in the whole country. In their opinion, it is just indicative of the ineffectiveness of the Department to prevent large scale evasion of tax in the higher slabs of income. The Committee have asked the Central Board of Direct Taxes to take effective measures to see that large scale evasion of income-tax taking place at present, particularly in higher slabs of income, is prevented.

6. The Committee have also noted that certain measures have been taken by the Ministry to simplify the procedures, for example, creation of the Institution of Inspecting Assistant Commissioner (Assessment) with effect from October, 1978, enlarging the scope of Summary Assessment Scheme, and providing for assessment by Income-tax Inspectors. The Committee have observed with concern that in spite of the above reforms and measures taken by the department to simplify the procedures, the pendency of assessments has increased from 15.38 lakhs at the end of the year 1977-78 and 19.26 lakhs at the end of the year 1978-79 to 26.61 lakhs at the end of the year 1981-82. The Committee have asked the Central Board of Direct Taxes to examine the matter in all its aspects and take necessary steps with a view to liquidate the pendency of assessment in the shortest possible time.

7. The Committee have also expressed concern over the rapid increase in effective arrears during the period 1978-79 to 1981-82. The amount of arrears which was Rs. 735 crores as on 31-3-1979 has risen to Rs. 977 crores as on 31-3-1982. The Committee are amazed at the extent of these arrears as over 90 percent of tax collections are made up

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of pre-assessment collections *i.e.* taxes paid by the assesses on their own and only less than 10 percent of the tax is to be collected by way of regular assessments. The Committee have desired that the Ministry should examine this aspect and take effective steps to reduce the tax arrears to the barest minimum.

8. The Committee have taken a serious view of the heavy pendency of appeals. They have observed that the pendency of appeals has gone up from 2.22 lakhs at the end of 1977-78 to 2.78 lakhs at the end of 1978-79 and 3.50 lakhs at the end of 1979-80 and 3.60 lakhs at the end of 1980-81. During the year 1981-82 there has been a marginal decline to 3.53 lakhs. The above increase is particularly regrettable in view of the fact that during the last few years the appellate machinery has been considerably strengthened. The Committee have emphasised that the Ministry should have a close supervision on the actual performance of the AAC/CIT (Appeal) so as to ensure that the quota fixed for their disposal is fully achieved.

9. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form as Appendix I to the Report.

10. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

11. The Committee would like to express their thanks to the officers of the Ministry of Finance (Department of Revenue) for the cooperation extended by them in giving information to the Committee.

NEW DELHI ;
April 27, 1984
Vaisakha 7, 1936 (Saka)

SUNIL MAITRA
Chairman.
Public Accounts Committee.

CHAPTER I

COST OF COLLECTION

Audit Paragraph

1.1 The expenditure incurred during the year 1981-82 in collecting Corporation Tax and Taxes on Income other than Corporation Tax, together with the corresponding figures for the preceding three years is as under :

(In crores of rupees)

	Gross collections	Expenditure on collections
020—Corporation Tax		
1978—79	1251.47	5.68
1979—80	1391.90	5.93
1980—81	1377.45	6.78
1981—82*	1969.96	7.64
021—Taxes on income etc.		
1178—79	1177.39	47.59
1979—80	1340.31	41.48
1980—81	1439.93	47.50
1981—82*	1475.59	53.48

* Figures furnished by the Controller General of Accounts are provisional.

1.2 The expenditure incurred during the year 1981-82 in collecting other direct taxes i.e. Taxes on Wealth, Gift-tax and Estate Duty and the corresponding figures for the preceding two years are as under :

(In crores of rupees)

	Gross collections	Expenditure on collections
031—Estate Duty		
1979—80	14.05	1.05
1980—81	16.31	1.21
1981—82*	20.31	1.36
032—Taxes on Wealth		
1979—80	64.47	3.69
1980—81	67.43	4.22
1981—82*	78.12	4.75
033—Gift Tax		
1979—80	6.83	0.53
1980—81	6.51	0.60
1981—82*	7.74	0.58

* Figures furnished by the Controller General of Accounts are provisional.

[Paragraph 1.05 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Civil), Revenue Receipts, Vol. II, Direct Taxes (p. 6)]

1.3 The following table gives the cost of collection of direct and indirect taxes over a period of five years :

Year	Gross collection (in crores of rupees)	Cost of collection	Cost per hundred Crores of revenue
<i>Direct Taxes</i>			
1977-78	2289.90	46.07	2.01
1978-79	2503.20	58.31*	2.33*
1979-80	2817.56	52.68	1.87
1980-81	2907.63	60.31	2.07
1981-82	3551.63	73.91	2.08
<i>Indirect Taxes</i>			
1977-78	6271.61	53.58	0.85
1978-79	7897.16	60.10	0.76
1979-80	9049.61	73.76	0.70
1980-81	10080.67	72.81	0.72
1981-82	11918.82	77.23	0.65

* Later corrected as Rs. 50.48 crores and as 2% instead of 2.33%.

1.4 During the five years from 1977-78 to 1981-82, the cost of collection of direct taxes has gone up from Rs. 46 crores to Rs. 74 crores, viz. by 61%. With the increased tax revenue during this period, in the case of indirect taxes, the cost of collection per 100 crores of revenue has come down by 24%. In case of direct taxes the cost per hundred crores of revenue has actually gone up.

1.5 The Committee desired to know the basis for the allocation of expenditure incurred in collecting Corporation Tax, Taxes on income etc., Wealth Tax, Gift Tax, Estate Duty etc. under various heads. The Ministry of Finance (Department of Revenue) have in a note *inter-alia* stated :

“In paragraphs 3-9 of its Report (1972-73), the PAC had recommended the introduction of refinement in the existing system of apportionment of the cost of collection amongst various Direct Taxes viz. Income-Tax, Wealth-tax, and Estate Duty. In consultation with C & A. G. DOMS (DT) was asked to evolve a

new formula for the apportionment of cost of collection on a mere scientific costing basis.

According to the study made by DOMS, the formula proposed for apportionment of cost of collection of Income tax, Wealth-tax, Gift-tax and Estate Duty suggested the ratios of 90%: 7%: 1%: 2% respectively. DOMS also suggested that *inter se* allocation of expenses between 'Corporation Tax' and 'Taxes on Income other than Corporation Tax' can continue in the ratio of 1 : 7, as was earlier accepted by the C. & A.G. *vide* their D.O. No. 1236/Com/24-70 dated 3-12-1971.

The above proposals of DOMS were accepted by C & A.G. *vide* their D.O. No. 1097-Comp/84-74 dated 22-11-1974."

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the total cost of the department is to be apportioned amongst income-tax, wealth-tax, Gift-tax and Estate Duty in the ratio of 4148 : 324 : 54 : 83. Reduced to percentage it comes to 90% (IT), 7% (WT), 1% (GT) and 2% (ED) (rounded off to the nearest whole number).

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1.6 During evidence, the Committee wanted to know the reasons for the decrease in the cost of collection in 1979-80, when compared to 1978-79. The Chairman, Central Board of Direct taxes stated :

"There was a small mistake there in the figures originally reported in 1978-79. For 1978-79 the expenditure of collection was reported at Rs. 58.31 crores whereas it was actually only Rs. 50.48 crores..... Earlier they have shown this as Rs. 50.48 crores and in the latest report it has been printed as Rs. 58.31. It was a printing mistake. We could have pointed it out. We realised the mistake *i.e.*, a month earlier when we took it up for discussion and found that it was in the printed report the mistake was there."

1.7 When asked whether the Audit was informed of the mistake, the witness stated :

"I am sorry. We did not do it."

He added :

"The percentage figure 2.33% is wrong It is 2%".

1.8 The Committee pointed out that between the years 1977-78 and 1979-80, the cost of collection was coming down as a percentage i.e., 2.01, 2.00 and then 1.87 and it had increased to 2.07% in 1980-81. When asked for the reasons, the Chairman, CBDT stated :

"75 to 80 per cent of our expenditure is on salaries. So, sometimes payments of DA instalments increase the Cost of collection. In one year there were 3 or 4 DA instalments."

In reply to a question, the witness added :

"The litigation expenses are included but I do not think the litigation expenses would make so much a difference.....Of course there is the expenditure on cases which go to the court but they account hardly for 2 or 3 per cent of the total expenditure.

"One year there is higher expenditure and in some other years there is less expenditure. There is no uniform pattern. It depends upon the number of cases going to the High Court and the Supreme Court, complexity of cases and the counsel employed. All these make difference".

1.9 Pointing out that the figures relating to the year 1981-82 mentioned in the audit para were stated to be provisional, the Committee desired to know the final figures relating to the years 1981-82 and 1982-83.

The Ministry of Finance (Department of Revenue) have in a note submitted to the Committee stated :

"There is no change in the figures of 1981-82 mentioned in Para 1.05. As such these may be treated as final figures. As for 1982-83, it is stated that the accounts of the year 1982-83 have not yet been closed finally. As such final figures for 1982-83 are not available. Provisional figures are, however, given hereunder :

Corp. Tax (020)	Income Tax (021)	Estate Duty (031)	Wealth Tax (032)	Gift-Tax (033)
Rs. 1986.64	1794.29	20.18	91.83	7.54

The provisional figures for cost of collection under major head "220" for the year 1982-83 is Rs. 78.66 crores. (Direction & Admn. & Cost of Collection). As the accounts for the year have not yet been finalised, the allocation of expenditure on various direct taxes viz. Corn. Tax, Tax on Income, Gift Tax, Wealth Tax, Estate Duty cannot be given.

1.10 The Committee drew the attention of the witness to the fact that with the increase of tax revenues in the last five years, the cost of collection per hundred crores of revenue came down by 24% under indirect taxes but it went up by 3% under direct taxes.

1.11 When asked to comment on this, the Chairman Central Board of Direct Taxes stated :

"On the direct taxes as far as I can see, the cost of collection is in absolute terms naturally will increase; it is inevitable. But if you take it as the percentage of collections, then more often than not, it is less than 2% in all these years. In 1977-78, it was 2.01%, in 1978-79 it was 2%, in 1979-80, it was 1.86%; in 1980-81 it was 2.07% and 1981-82 it was 1.91%".

1.12 The Committee pointed out that in 1977-78, the gross collection was Rs. 2289.90 crores and the cost of collection was Rs. 46 crores; in 1981-82 the gross collection went up to Rs. 3551.63 crores and the cost of collection had also increased to Rs. 74 crores. When the gross collection had gone up by more than Rs. 1300 crores then the percentage of collection should have actually come down, instead, it had increased from 2.01% to 2.08%.

1.13 When asked to explain, the Chairman, CBDT stated :

"The figures do not tally with the figures we have given. You have had the figures from the Comptroller and Auditor General's Report".

1.14 At the instance of the Committee, the Audit clarified :

"The audit figures are based on the figures given by the Ministry of Finance itself. The figures are in Chapter I. They indicate in writing specifically. These figures are supplied by

the Ministry of Finance. There are no separate figures printed here. These are the figures given by the Ministry without any printing mistake."

1.15 When asked to give the figure of collection for 1982-83, the witness stated :

"Our own figures of collection shows that it was Rs. 3980 crores and the expenditure was Rs. 78.66 crores. The cost of collection comes to 1.97%".

1.16 The Committee desired to know the correct figures for the years 1977-78 to 1982-83 according to the Ministry *vis-a-vis* those given by Audit.

The Ministry have in a note submitted to the Committee furnished the information as under :

"As the figures for collection for 1977-78 were not printed in C&AG Report for 1981-82. Statement showing cost of collection of Direct Taxes for the year 1978-79 to 1982-83 is enclosed.

(appendix II)

There is no difference between audit figures and final figures for the years 1979-80 to 1981-82. There was, however, difference between the figures relating to "Cost of collection of Income Tax" for 1978-79 and the same has already been corrected by Audit since the figures printed in Report by Audit were incorrect.

As the accounts of 1982-83 have not yet been closed finally by the Office of CGA, the figures are still provisional.

1.17 The figures given in the statement (furnished by the Ministry) have been summarised as under :

	Cost of Collection (in crores of rupees)				
	1978-79	1979-80	1980-81	1981-82	1982-83
Cost of Collection Income Tax	39.76	41.48	47.50	53.48	63.16
Cost of Collection Corporation tax	5.68	5.93	6.78	7.64	9.02
Cost of Collection Estate Duty	1.01	1.05	1.21	1.36	1.60
Cost of Collection Wealth Tax	3.53	3.69	4.22	4.75	5.61
Cost of Collection Gift Tax	.50	.53	.60	.68	.80
Total	50.48	52.68	60.31	67.91	80.19

1.18 When asked by the Committee whether any concrete steps were taken or proposed to be taken to reduce the cost of collection and to simplify the procedure, the Chairman stated :

“As regards the cost of collection, we can do nothing because of increasing the personnel which we require because of increasing work-load. The Cost of management and other things have to be taken into consideration. For the whole country, we must have more assessors then.....We will look into it.”

1.19 The following table shows the break-up of Income-tax and Corporation-Tax collections during the five year period 1977-78 to 1981-82 by pre-assessment and post-assessment' collections :

*Income-tax and Corporation-Tax
Tax collection*

Year	Total	Pre-assessment stage (In crores of Rs.)	Post-asses- ment stage	Percentage of Pre- assessment collections
1977-78	2223	2089	134	84
1978-79	2554	2307	247	90
1979-80	2938	2650	288	90
1980-81	3079	2745	334	89
1981-82	3794	3467	327	91

1.20 The above table shows that over 90% of the tax collections are made up of pre-assessment collections, viz., taxes, paid by the assessee on their own either by way of deduction at source or advance payment of tax or payment of tax on self-assessment. The tax recovered on regular assessment is under 10 per cent of the gross collections.

1.21 The committee desired to know the precise duties of different functionaries in relation to pre-assessment collections. The Ministry of Finance (Department of Revenue) submitted a note (Appendix III) to the Committee.

The note submitted by the Ministry has been summarised as under :

"The collections made by way of advance tax, tax deducted at source and self-assessment are considered to be pre-assessment collections.

The advance tax is to be collected on the basis of the total income of the latest previous year in respect of which the tax-payer has been assessed or the total income of a later year on the basis of which the tax-payer has paid tax on self assessment if such total income is higher. If there is any change in the income, the assessee has to send to the I.T.O. the estimate of the current income and the advance tax payable in the prescribed form (29) and deposit the advance tax accordingly.

The I.T.O. is required to issue notices under Section 210(1) in these cases in which the existing assesseees have not filed the statements/estimates as required by Section 209A. The I.T.O. is required to prepare at the beginning of a year a complete list of all assesseees who are liable to pay advance tax which is to be updated periodically.

At present, the tax is required to be collected at source from the following payments :

- (i) Income chargeable under the head Salaries;
- (ii) interest on securities;
- (iii) dividends;
- (iv) interest other than 'interest on securities';
- (v) winnings from lottery or crossword puzzle;
- (vi) winnings from horse races;
- (vii) payments to contractors and sub-contractors; and
- (viii) insurance commission.

Over 45 I.T.Os are at present exclusively deployed for this purpose at places where salary assesseees are concentrated. The various functionaries are required to maintain, supervise :

- (a) check annual salary returns;

- (b) effect recovery of short payments and/or short deduction;
- (c) process cases of defaults for prosecution, etc. and
- (d) check returns and statements relating to tax deduction at source from other payments if required by the Commissioner concerned.

Self-Assessment—Every assessee is required under subsection 1(1) of Section 140A of the the Income-tax Act, 1961 to pay the tax dues on the basis of return of income. Cases where the self assessment tax has not paid or the amount paid was less than what was due to be paid should be followed up by issue of showcause notices for the levy of penalty.

In order to have a control over the progress of this work, the Commissioners of Income-tax have to get certificate from the Income-tax Officers that all cases of the type referred to above are scrutinised and appropriate action taken”.

From the information furnished by the Ministry, it is seen that these functions by and large, comprise linking of such prepayments and crediting them to tax-payers in their final assessment.

1.22 The Committee desired the Ministry to furnish the particulars of sanctioned posts in the Income-tax Department as at the commencement of each of the financial years 1978-79 to 1982-83 functionwise. The Ministry have furnished the requisite information as detailed below :—

Assessment

Sr. No.	Designation	1978-79	1979-80	1980-81	1981-82	1982-83
1.	C.I.T.	—	—	—	—	—
2.	I.A.C.	63	108	108	108	108
3.	I.T.O.	3194	3149	3149	3149	3149
4.	Inspector	2304	2304	2304	2527	2527

Recovery

Sr. No.	Designation	1978-79	1979-80	1980-81	1981-82	1982-83
1.	C.I.T.	—	—	—	5	5
2.	I.A.C.	—	—	—	—	—
3.	I.T.O.	223	223	223	223	223
4.	Inspector	683	465	465	465	465

Appeal

1.	C.I.T.	69	69	69	101	101
2.	I.A.C.	121	121	157	181	181
		(AAC)	(AAC)	(AAC)	(AAC)	(AAC)
3.	I.T.O.	—	—	—	—	—
4.	Inspector	—	—	—	—	—

Internal Audit

1.	C.I.T.	—	—	—	—	—
2.	I.A.C.	24	24	24	24	24
3.	I.T.O.	91	91	91	91	91
4.	Inspector	99	99	99	99	99

Survey

1.	C.I.T.	—	—	—	8	8
2.	I.A.C.	—	—	—	—	—
3.	I.T.O.	—	—	—	—	—
4.	Inspector	159	882	882	659	659

Acquisition

1.	C.I.T.	—	—	—	—	—
2.	I.A.C.	30	22	22	22	22
3.	I.T.O.	—	—	—	—	—
4.	Inspector	60	60	60	60	60

Other Functionaries

Sl.No.	Designation	1978-79	79-80	80-81	81-82	82-83
1.	C.I.T.	80	80	80	89(1)	89(1)
2.	I.A.C.	259(2) 12(3) 45(4)	229(2) 12(3) 45(4)	230(2) 12(3) 45(4)	242(2) 12(3) 45(4)	266(2) 12(3) 45(4)
3.	I.T.O.	98(5) 64(6)	98(5) 64(6)	98(5) 64(6)	98(5) 64(6)	98(5) 64(6)
4.	Inspector	208(7)	208(7)	208(7)	208(7)	208(7)

(1) Includes 5 posts of Chief Commissioners

(2) Ranges IAC

(3) Functioning as Deputy Director (Intelligence)

(4) Functioning as Senior Authorised Representatives (ITAT)

(5) Functioning as ADI (Intelligence)

(6) Functioning as Jr. Authorised Representatives (ITAT)

(7) Deployed on Intelligence Work.

(Please See Appendix II)

The overall position is given as follows :

Total strength of officers (CITs, IACs, ITOs and Inspectors).

<i>Year</i>	<i>Total</i>
1978-79	7891
1979-80	8353
1980-81	8390
1981-82	8480
1982-83	8504

Function-wise strength of officers

	1978-79	1982-83
General Admn.	339	355
Assessment	5561	5784
Recovery	911	693
Appeals	190	282
Survey	159	667
Acquisition	90	82
Others	641	641
	7891	8504

The increase in staff as reported in the Annual Reports of Ministry of Finance for the years 1978-79 to 1982-83 were as follows :

Year	Increase
1978	(i) 8 post of Commissioner (ii) 69 posts of Commissioner (Appeals) reducing equal number, of posts of AAC. (iii) 87 posts of IAC reducing equal number of posts of ITOs Group A. (iv) 150 posts of Group B ITOs as Leave reserve. (v) 4148 posts Tax Assistants abolishing equal number of posts of UDCs.
1979-80	(i) 37 posts of IACs (Assessment) in place of equal number of posts of ITOs Group A. (ii) 99 posts of Selection Grade IACs in lieu of equal number of posts of IACs. (iii) 60 posts of ITOs Group A as training reserve. (iv) 500 posts of Inspectors for Survey Work.
1980-81	36 posts of AACs
1981-82	(i) 61 posts of Commissioner of IT (ii) 24 posts of AACs (iii) 200 posts of ITOs Group A
1982-83	2033 posts of Tax Assistants, UDCs and LDCs

The above figures indicate an increase of 138 Commissioners, 155 IAC/AACs and 286 ITOs.

1.23 The Public Accounts Committee have repeatedly emphasised the need for strengthening the Income-tax Department for better tax administration. From the above data furnished by the Ministry of Finance and the information given in the Annual Reports of the Ministry of Finance it will appear that the exhortations of the Committee in this regard have been acted upon and the officers' cadres in the Income-tax Department have been considerably strengthened in recent years. In the last four years, the number of commissioners of Income Tax seems to have gone up by 138 and that of the Inspecting Assistant Commissioners/Appellate Asstt. Commissioners by 115 and Income Tax officers by 286.

1.24 The Committee enquired whether the Ministry have made any study to find out whether the increased strength has served its purpose by way of showing any improved performance. and if so, the Committee desired to know the details. The Chairman, Central Board of Direct Taxes stated :

"To start with, I must submit that the work load has increased considerably in these four or five years. According to our projection for the next four or five years the work load is definitely going to increase considerably and especially as the country progresses faster. I am sure our work load has also to progress faster".

He added :

"The staff increase was allowed because we were already in arrears of work. The work load was too much for us to shoulder. In fact, the work load had started breaking our neck. For instance, we had asked for more clerks, we have been getting them very slowly. We have hardly got 1750 clerks. Our study reveals that the work load had increased considerably. For instance, the net increase in the number of assesseees in the last four years is 7 lakhs. In 1977-78, we had only 39 lakhs assesseees, in 1981-82 we had 46 lakhs assesseees. This is despite the increase in the minimum limits. Almost every year we take out 1½ to 2 lakh assesseees from our register. To give you an idea of what the increase in work load means, I would say that the total number of income tax assessments alone went up from 56 lakhs to 72 lakhs. Wealth Tax assesseees went up

from 2.82 lakhs to 4.11 lakhs. Scrutiny assessments went up from 19.3 lakhs to 20.78 lakhs. The summary assessments naturally went up from 36 lakhs to 51 lakhs. The number of litigation cases in appeal have increased from 1.87 lakhs to 2.51 lakhs not because we have become litigation minded but because the number of scrutiny assessments has gone up. This entails more work even in pre-assessment cases."

1.25 In reply to a question, the witness added :

"Even in a summary assessment, all that is served is one notice or may be two notices. When a return is filed we have to find out whether the income returned is such that assessment can be done summarily. Even then we have to calculate the tax and if there is a demand we have to send demand notices and if there is refund to be given then we have to send refund notices. The number of potential advance tax assessees alone is 13 lakhs and we have to prepare the list of 13 lakhs cases and we have to watch whether they have paid their advance tax in time or not."

1.26 When asked whether any specific study was made to find out that the increased strength had served its purpose, the witness stated :

"Not in the manner whether it has served purpose; but we certainly have..... we did carry out few studies. This was done last year. We were rather upset by the way summary and scrutiny assessments were increasing. If they go up to 19 and 20 lakhs we would need 15 to 20 thousand ITOs instead of 5000 ITOs. There were to Committees which went into these matters. It was found that we are spending too much time on small cases. We issued a circular saying even new cases where income is less than 25,000 may be summarily accepted. There was a study by another Committee. A circular went in May, 1983. We tried to reduce the large number of scrutiny assessments. These studies were made.

Two committee were constituted. Scrutiny Assessment Study was submitted some time in August, 1982".

1.27 The Committee asked the Ministry to furnish a detailed note indicating the work load involved at the stages of pre-assessment, assessment and post assessment. The Ministry of Finance (Department of Revenue) have in a note submitted to the Committee furnished the requisite information (Appendix IV).

1.28 The Committee pointed out that in certain circles like Madras, the assessment procedures were so streamlined that the tax authorities could dispose 40 to 60 cases a day. When enquired whether the Ministry were aware of the system, the witness stated :

"I was Commissioner, Bombay when the system was adopted. This is a very interesting and an efficient system, but it requires a lot of pre-assessment work in separating the files, in seeing that all the taxes have been paid, the challans etc are there in the files, no penalties are due etc. All this is done well in advance...There some very good officers who have innovated it. It would take some-time to introduce this innovation. We are trying our best. In fact, we have made a study on how to speed up the summary assessment and these things have been looked into."

1.29 Pointing out that out of forty five lakhs assessments completed in 1981-82, 76% were disposed by way of summary assesment, the Committee enquired whether it was correct to say that the Department had to deal with 10 lakhs assessment cases with the increased number of cases of the immediate past. The witness stated :-

"We have 72 lakh assessments as the workload. It is because not all the assessments are current. There are arrears of assessments also."

1.30 In reply to a question the witness stated that the department had done 45 lakh assessments in past year (1981-82).

1.31 When asked whether it was correct say that the Department had dealt with 45 lakh assessments last year, the witness replied :

"This, I am afraid, is a wrong impression. When a new assessee comes in, he does not come in with only one assessment. He may have five six or seven assessments. The ideal situation will be when addition and subtraction of assessments are equal."

1.32 The Committee enquired whether the work-load for 1981-82 might be taken as 45 lakh cases, as the Department had completed 45 lakh assessments in that year. The witness replied in the negative and added :

“That is what I am trying to explain it was not the work-load of last year. There were 46 lakh assesseees but the work-load in 1980-81 was 66 lakhs. The disposal of cases was 40.35 lakhs. So, we added to the current work load having a total of 72 lakhs. And of this we have disposed of 45.48 lakhs. That means we are left with a balance of 27 lakhs which will be added to the 46 lakhs assesseees of this year.”

1.33 The Committee desired to know the number of cases dealt with by an ITO on an average. The Chairman stated :

“It comes to less than 1000 assesseees, because it is a simple division The number of Inspectors put on summary assessment work is only 556. The other Inspectors are doing enquiry work in connection with the assessment to be made by the ITOs. And these people do only the simplest of the summary assessments. They are also doing so much other work also.”

1.34 The Committee enquired whether any part of the assessment made had been allotted to functionaries other than the ITOs' and if so, the details such as the types of cases allotted to particular heads, dates of such charge over, improvements effected, etc.

The Ministry have, in a note submitted to the Committee stated :

“Assessment work has been allotted to Inspectors of Income-tax as well as Inspecting Assistant Commissioners of Income-tax, in addition to the ITOs. DOMS Circular No. 33 dated 9.1.1979 was the circular delineating the kind of cases to be assigned to IACs (Assessment) A copy of the DOMS Circular is enclosed (Appendix-V) In regard to the Inspectors of Income tax, instructions No. 1348 dated 30th August, 1980 issued from F. No. 201/111/80-ITA. II spells out in detail the modalities of assigning assessment functions to Inspectors of Income-tax. A copy of this instruction is enclosed (Appendix-VI).

With the assignment of assessment functions to Inspectors of Income-tax in the smaller categories of cases, the ITOs have been relieved of a part of the work in order to devote their time to the bigger cases needing scrutiny.

The cases involving higher incomes as well as needing proper and coordinated scrutiny are being assigned to IACs (Assessment, who are senior officers."

1.35 The Central Board of Direct Taxes in their Circular No. 33 dated 9th January, 1979 had issued guidelines for the constitution and working of the 'jurisdiction pattern of Special IAC Ranges to be set up under section 125A of the Income Tax Act 1961"

The main points contained in the circular are as under :

In accordance with the recommendations of the Public Accounts Committee that senior officers of the Department should be directly associated with assessment work, 87 posts of senior scale (Group A) ITOs were upgraded to that of Assistant Commissioner for posting some IACs in various CIT charges against the new posts sanctioned for assessment work.

Special Ranges having concurrent jurisdiction u/s. 125-A of the Act, should be set up in the Commissioners' charges where these IACs are posted. Each such range shall consist of one IAC and three senior Income-tax officers.

These ranges will deal with the following five areas of work :—

- (a) Cases having income of Rs. 5 lakhs and above ;
- (b) Search and seizures cases,
- (c) Foreign company cases ;
- (d) Selected Trust cases and
- (e) Selected tax-fraud cases involving prosecution or concealment

The jurisdiction over all the five types of cases enumerated above will be assigned concurrently to the IAC and the ITOs working under him.

All assessment work in respect of cases where the returned income or the last assessed income is Rs. 5 lakhs and above shall be done by the

IAC himself. He shall be expected to complete all the relevant linked cases also.

Assessment work in respect of the remaining 4 categories of cases mentioned above where the income falls below Rs. 5 lakhs shall be done by the Income-tax officer working in the ranges under the supervision of the IAC. Assignment of particular cases to ITOs under him shall be made by the IAC.

An IAC should complete not less than 25 main assessments in a year plus all the relevant linked cases. Like-wise, each ITO working in the special range will be expected to dispose of not less than 25 main assessments per annum and other linked cases. In this manner each such unit will be expected to dispose of 100 main cases in a year in addition to relevant linked cases. The disposal of all other proceedings incidental to assessment work, such as penalties, recovery etc. would be looked after by the concerned officers. However, CIT can fix a higher disposal quota if the nature of cases assigned justifies it.

1.36 Referring to the fact that there were 108 IACs in 1982-83 only for assessment work and that there were only 5500 cases having income more than Rs. 5 lakhs, the Committee enquired whether any statistical data was maintained by the Board about the work done by the IACs as per the Circular of 9th January, 1979, and whether any IAC had done 12 cases out of 25 stipulated, in the first six months. The witness stated :

“In the first three months, they are busy with various miscellaneous works”

1.37 Asked whether the strength of the IAC was not too large in relation to the work to be handled, the witness replied :

“I can have a look into it and take into consideration your suggestions. The fact remains that after working in the department for so many years, we have a feeling that we are over-loaded ”

1.38 The Committee desired to know the views of the Finance Secretary as to whether the Income-tax staff was over-loaded. The Finance Secretary stated :

“I have no more information than that the Chairman has substantiated. I am Secretary in the Department of Expenditure and

have been looking after the CBDT because there is no Secretary for the last few days in the Deptt. of Revenue. For me to assume a greater knowledge than what the Chairman has said would be incorrect...A very thorough examination is done in the Ministry of Finance about the work-load and for providing additional staff. I am sure the additional staff would not have been sanctioned on flimsy grounds...I am fully aware of the fact that there has been a very large expansion of the Department at different levels. We will study the question and give a detailed note as to what are the duties of the IACs and their work-load ; and whether it fully occupies them or not."

1.39 The Ministry have since submitted a detailed note indicating the duties of the Income-tax Commissioners, IACs, their total number at present, the quantum of work allotted to them, together with the basis thereof and whether the quantum of work to be handled by them occupies them fully the whole year around (Appendix VII).

1.40 The note submitted by the Ministry is summarised as under :

"Commissioners of Income-tax and Inspecting Assistant Commissioners are top and middle level supervisory managers in the organisational set up of Income-tax Department.

The functions of the Commissioner of Income-tax can be broadly classified under the following four categories :

1. Organisational functions ;
2. Personnel Management ;
3. Technical Control ; and
4. Statutory functions under different Direct Taxes Acts.

The functions of Inspecting Assistant Commissioners can be broadly classified under the following heads :

1. Organisational functions ;
2. Personnel Management ;
3. Technical Control ; and
4. Statutory functions under different Direct Taxes Acts

The total number of sanctioned posts of Commissioners of Income-tax and Assistant Commissioners of Income-tax are 219 and 689 respectively.

Out of 219 posts of Cs.I.T., 16 are in the various Directorates of Income-tax designated as Directors (two of them are designated as Directors General). 102 posts are designated as Commissioners of Income-tax (Appeals) who are required to decide appeals in more important and high revenue yielding cases as provided in the Income-tax Act. The Central Board of Direct Taxes has fixed the following quota of disposal of appeals by Cs.I.T. (Appeals) :

Quota of appeals per month

- | | |
|---|---------|
| 1. Cs.I.T. dealing with Central Circle Appeals | 30 p.m. |
| 2. Cs.I.T. working in the five metropolitan Income-tax charges namely Bombay, Calcutta, Madras, Ahmedabad and Delhi | 60 p.m. |
| 3. Cs.I.T. working at other places | 70 p.m. |

The performance of the Cs.I.T. (Appeals) including the work-load, disposal and pendency of appeals with them is monitored by the D.I. (Income-tax) every month with a view to ensure that their disposal reaches the prescribed quota.

Most of the remaining 101 posts are held by Administrative Commissioners except five Commissioners (Recovery) for recovery work and 9 Cs.I.T. (Investigation) for survey and intelligence work at big centres.

The largest number of I.A.C.s (i.e., 213) function as Range IACs in charges other than Central Charges. Their main function is to supervise, control and guide the assessing I.T.Os under them and to ensure that the targets of disposal of assessment, tax collection etc. laid down by the CIT for his range are met and that the work in his range is conducted efficiently and smoothly. It has been found that the existing

number of Range IACs (213) is inadequate and their number requires to be augmented by 16 more Range IACs. Thus the Range IACs have been found to be fully occupied.

108 posts of IACs are designated as IACs (Assessment) and they are entrusted with the assessment of important including *inter alia* cases with income over Rs. 5 lakhs. These IACs are required to dispose of 35 main cases along with all linked cases besides supervising and guiding two or three assessing ITOs who are required to dispose of 50 main cases along with linked cases. The performance of these IACs (Assessment) is monitored by the respective administrative Commissioners who are also required to see that the IACs (Assessment) have sufficient workload with them.

175 Assistant Commissioners are designated as Appellate Assistant Commissioners. They are required to decide appeals in cases, other than those required to be disposed by the Cs.I.T. (Appeals). The quota of their disposal has been fixed by the Board as under :

1. AACs working in metropolitan charges viz. Ahmedabad, Bombay, Calcutta, Delhi and Madras	150
2. AACs working at other places	165

Their performance is monitored by the Directorate of Inspection (Income-tax) who reviews the work-load disposal and the pendency with them. It was felt that the strength of the AACs would not be adequate for the years 1980-82 keeping in view the likely workload for those years. The report was considered by the Cadre Review Committee and 24 more posts of AACs were sanctioned in 1981."

1.41 The limit and nature of cases in which assessments could be made summarily i.e. without scrutiny have been revised from time to time. The general monetary limit for summary assessment has been as under :

Prior to 1.7.77	Bombay & Calcutta charges only	Rs. 50,000
	Other Charges	Rs. 25,000

From 1.7.77	Registered firms	Rs. 75,000
	Other cases	Rs. 50,000
From 1.4.80	Non-company cases	Rs. 1 lakh
	Company cases	Rs. 10,000

1.42 The following tables give some data about summary assessments and their percentage to total assessments during the last five years :

Table I

Year	No. of total assessments for disposal	No. of summary assessments for disposal	Percentage of summary assessment to total assessment for disposal
1977-78	55,81,355	36,50,334	65
1978-79	52,35,891	34,28,196	65
1979-80	57,89,055	38,43,979	66
1980-81	65,91,180	47,57,295	72
1981-82	72,08,405	51,30,685	71

Table II

Year	No. of total assessments completed	No. of summary assessments completed	Percentage of summary assessments completed to the total number of assessments completed
1977-78	40,43,813	29,87,927	74
1978-79	33,10,327	24,12,165	73
1979-80	34,89,790	25,72,014	74
1980-81	40,35,213	30,81,456	76
1981-82	45,47,716	34,58,096	76

Table III

Year	No. of total assessments pending	No. of summary assessments pending	Percentage of sum- mary assessments to total assessments pending
1977-78	15,37,542	6,62,407	54 43
1978-79	19,25,564	10,16,031	53
1979-80	22,99,265	12,71,965	55
1980-81	25,55,967	16,75,839	66
1981-82	26,60,689	16,72,589	63

1.43 At the instance of the Committee, the Ministry of Finance (Department of Revenue) in a note submitted to the Committee have explained *inter-alia* the working of the Institution of Inspecting Assistant Commissioner (Assessment) and Commissioner of Income-tax (Appeals) as under :—

“The Institute of IAC (Assessment) was created in October, 1978 with a view to utilising the experience gained by senior officers on making assessments in bigger and complicated cases and actively associating them in day to day progress of completion of these assessments resulting in proper co-ordination and scrutiny. Substantial revenue comes only from company cases and big non-company cases. The category of cases to be assigned to the IACs (Assessment) has been explained in DOMS Circular No. 33.

The quota of disposals in the case of IACs (Assessment) having concurrent jurisdiction with ITOs under Section 125A is 35 main cases along with linked cases and for the ITO 50 main cases along with the linked cases. A monthly statement in regard to the functioning of the IACs (Assessment) is forwarded to the Board through the Commissioners of Income-tax.

The functions of the IACs (Assessment) has been considered in the Conference of the Commissioners of Income-tax held in 1982 and 1983. The subject matter is under study.

Section 39 of the Finance (No. 2) Act, 1977 provided a new appellate authority, viz. Commissioner of Income-tax.

Acting under Section 39 of the Finance (No. 2) Act, 1977, the Central Government notified 10th July (1978) as the appointed day on which the post of Commissioner of Income-tax (Appeals) became effective.

Section 246(2) provides that Commissioner (Appeals) will have jurisdiction in respect of following orders :

- (a) Order specified in clauses (b) to (h) and clauses (I) to (O) of sub-section (1) or an order under section 104 in the case of a company.
- (b) Orders specified in clauses (c) to (o) of sub-section (1) made by IAC in exercise of powers conferred on him under section 125 or Section 125A.
- (c) Order made by the IAC imposing a fine under sub-section (2) of Section 131.
- (d) Order of assessment made under section 143(3) or Section 144 on the basis of directions issued by the Inspecting Assistant Commissioner under section 144B.
- (e) Order imposing a penalty under clause (c) of sub-section (1) of Section 271 with the previous approval of IAC.
- (f) Order made by IAC imposing penalty under section 272A.
- (g) Any other order in respect of which the Board gives jurisdiction to the Commissioner (Appeals).

The institution of CIT (Appeal) is working well. The cases involving complex issues and large amounts are heard by senior officers. The assesseees and the Department both appear to be generally satisfied with the quality of orders of Commissioners (Appeals)".

1.44 The Committee desired to know the present norms for summary assessments. They also wanted to know the standards of work laid down by the Department for Income-tax Officers and other functionaries in relation to summary assessments. The Ministry have in a note stated—

“The category of cases falling under the Summary Assessment Scheme is a subject of continual examination and review. The result of this review is reflected in the departmental instructions issued to the field formations from time to time explaining the scope of summary assessment scheme. Instruction No. 1509 dated 13th May, 1983 issued from F.No. 201/55/82-ITA. II is the latest instruction on this subject. (Appendix VIII) In the Annexure to this instruction, the category of cases which fall *outside* the purview of the summary assessment scheme is explained by listing them out in detail.

2. In the Action Plan drawn up year after year, overall targets for disposal have been spelt out in respect of different areas of work. The Action Plan for 1983-84 has set a target of disposal of 85 per cent of the work load in respect of summary assessments.”

1.45 The Committee desired to know the object behind the introduction of the summary assessment scheme—whether it was to decrease the workload or to free the assessee from unnecessary botheration. The Chairman, Central Board of Direct Taxes stated “it is both”.

1.46 When enquired whether the Income Tax Department derived any benefit of the scheme, the witness stated :

“There is no benefit. But we hope that we will be able to reduce the expenditure. The exercise has been undertaken in May 1983.”

1.47 Pointing out that the object of introducing the summary assessment scheme was to reduce the work-load, the Committee enquired whether the Department had achieved the objective. The witness stated :

"No. We have not achieved the same...We had two sets of study conducted by departmental committees to watch the disposal of summary assessments."

1.48 The Committee wanted to know whether there was any substantive reduction in the work load by the introduction of the summary assessment scheme. The witness stated :

"25% reduction in the workload is quite a bit...we have already said we have tried and we are continuously trying. The decrease in the workload started when we simplified tax calculations long ago. The Board is continuously trying to decrease the workload and to increase the effectiveness. The workload has decreased. Even if it is 25% decrease, it is a sufficient decrease. I only wanted to say that it is not nil... The object was to reduce the workload and to see that so many assesseees do not come. It is a scheme of mutual trust. If you expect in terms of percentage, I will say that about 20% workload has reduced."

1.49 When asked about the expectations in the original scheme, the witness stated :

"It was not quantified then."

1.50 The Committee enquired whether the Ministry had made any study to find out how many people had taken advantage of these summary assessment concessions. The witness stated :

"We did make a study in September, 1982 as to whether people had taken advantage of these summary assessment concessions. The study has come to the conclusions that there is no advantage taken."

1.51 In reply to a question, the witness added :

"There is some misunderstanding whether we have finally carried out the intention and whether we have succeeded in the manner indicated in that Circular. Random sampling is inevitable. Otherwise people are likely to take advantage and if this is to be done we find that we are going to have some 17 lakhs scrutiny assessment. There is always a check to see that there is no abuse of these provisions. And so random scrutiny and

sampling is inevitable. Where we see some discrepancies on a large number it is again inevitable. With all this we find our scrutiny assessments will be going up to 17 lakhs as per our calculations. It is not mere guess work. We have taken from various areas checked them and thought that we remove two or three areas from the scrutiny basket. We may be able to reduce the scrutiny assessments by 7 to 8 lakhs. This is what we have attempted. I am sure when the circular is implemented there will be no further scope for arrears."

1.52 The Committee desired to be furnished with a note stating the objects underlying the introduction of the summary assessment scheme indicating in particular the extent of reduction in workload originally envisaged when the scheme was introduced and the reduction in work-load actually achieved.

The note submitted by the Ministry is reproduced below :

"The problem of mounting arrears of assessments had been engaging the attention of the Government from time to time. With the increase in the volume of work *vis-a-vis* the available manpower, the department adopted a selective approach in the completion of assessments while, at the same time, building an atmosphere of mutual trust. The Taxation Laws (Amendment) Act, 1970, which came into effect from 1-4-1971, gave statutory recognition to the scheme of completing assessments in a summary manner upto the prescribed range of Income.

The main objects of this scheme, *inter alia*, are :

- (i) Reduction of mounting arrears of work ;
- (ii) Cutting out useless, infructuous and unproductive work involved in the small revenue cases ;
- (iii) To dovetail the workload to match the available manpower resources of the department for achieving more efficiency and effective output by the department ;
- (iv) Deployment of the manpower so saved on higher income cases to achieve better results ;

- (v) To check the menace of tax evasion and tax avoidance in bigger cases.

It cannot be said with any amount of certainty or precision the extent of reduction of workload which was envisaged when this scheme was introduced. However, the disposal have shown a rising tendency after the introduction of this scheme but since correspondingly the workload is also on the rise, the level of pendency is more or less constant."

1.53 The Committee desired to know whether the Ministry have studied the impact of the summary assessments scheme to see how far it had led to abuse of the concession and how far it had resulted in work simplification. The Ministry have in a note stated :

"The Central Board of Direct Taxes had constituted a Committee to examine the various aspects of the Summary Assessment Scheme. After carefully considering all the relevant aspects, the Committee has stated that it does not find any direct nexus between the summary assessment scheme and tax evasion as there is an in-built mechanism of random sampling to curb any tendency on the part of the some individual assesseees who may be tempted to take advantage of the scheme. The Committee has added that the summary assessment scheme cannot be looked and in isolation and has to be viewed in the context of in-built random sampling, punitive measures under the Act and selective scrutiny in core sector. The Committee recommended steps for making random sampling effective as intended in the scheme. The Board have issued instructions directing the Commissioners that the job of selection of cases for scrutiny on random sampling basis must be completed by 31st July and report sent to the Board by 15th August every year and such cases should be completed after thorough scrutiny.

The Directorate of Organisation and Management Services has conducted a study in a few Commissioner's charges of those cases where the assessments were previously completed under the summary scheme and then for a subsequent year these were taken up and completed after scrutiny.

This study revealed that the extent of revenue benefit as a result of the conversion of summary cases into scrutiny assessments was only marginal. This would show that the summary assessment scheme has not been misused in any manner so as to cause loss of revenue. There is no gain saying about the fact that the summary assessment scheme had led to job simplification thereby saving manpower for re-deployment in more crucial areas of work."

1.54 The Committee desired to know the lines on which Government were thinking to simplify the procedure of assessment so as to expedite disposal of cases both at original and appeal stages. The Chairman, Central Board of Direct Taxes stated :

"A good part of this is connected with the report of the Administrative Reforms Commission. We are also considering the Jha Committee recommendations in terms of simplifying the procedures but I cannot give more details now."

1.55 The Ministry have in a note submitted to the Committee added :

"The Summary Assessment Scheme is under constant examination of the Board and its scope has recently been enlarged so as to cover more cases within the ambit. Under this scheme, the I.T.O. may, without requiring the presence of the assessee or the production of any evidence in support of the return, make an assessment of the total income on the basis of the return itself. By an amendment through the Finance (No. 2) Act, 1980, the powers of the I.T.O. to allow any deductions not claimed by the assessee or to disallow any deduction claimed by him to which he is not entitled, have been taken away.

In the sphere of scrutiny assessment, it has been enjoined upon the ITOs not to issue notices u/s 143(2) mechanically. The ITOs are required to study the file before hand and issue a detailed questionnaire so that frequent visits of the assessee are avoided.

The Directorate of Organisation and Management Services is constantly engaged on the issue of simplification of assessment procedure and suitable follow-up action is taken whenever found feasible."

CHAPTER II

PERFORMANCE INDICATOR

Arrears of Assessment

2.1 The following table indicates the level of performance in assessment in a few specified areas of work :—

Assessment Income tax and Corporation tax		
Year	No. of assessments completed	No. of assessments pending at the end of the year
1977-78	40,43,813	15,37,542
1978-79	33,10,327	19,25,564
1979-80	34,89,790	22,99,265
1980-81	40,35,213	25,55,967
1981-82	45,47,716	26,60,689

2.2 The Committee desired to know the number of assessees and the areas which come under the Corporation and the Companies. The Chairman, Central Board of Revenues, stated :

“The number of cases we have in companies was

31-3-78	...	42,084
31-3-79	...	41,532
31-3-80	...	42,581
31-3-81	...	44,125
31-3-82	...	46,335

The arrear assessments are :

31-3-78	...	35,000
31-3-79	...	41,000
31-3-80	...	44,000
31-3-81	...	52,000
31-3-82	...	56,000

The witness added :

"We do not have separate statistics because Corporations, so far as we are concerned, are Companies...Corporation tax is on companies both private and public Companies. All Companies including these associations are treated as Companies."

2.3 When asked for the current arrears, the witness stated :

"As on 31-3-81, 33,000 assessments were pending out of current assessments for the assessment year 1980-81, For 31-3-82, it is 34,000 assessment."

In the non-company assessments, the total arrear as on 31-3-81, is 25-26 lakhs. Of these 19.97 lakhs are out of current assessments i.e. assessment year 1980-81 and 5.59 lakhs are arrear assessments. In the case of companies the arrear assessments are a little more".

2.4 The Committee required whether it was correct to say that in terms of percentage, larger companies had a higher percentage of arrears than the smaller companies. The witness stated :

"Assessments of some bigger companies are also pending. I have not compared the two. At least I have seen some of the larger companies and found that some of the assessments are pending more often than not due to some legal complications. Last year we took some action for that and we hope that this year we will have the pendency of larger companies assessment reduced. We have asked the field formations to oversee the top companies event-wise and see whether we can ensure progress."

2.5 In reply to a question regarding time bar of assessments, the witness stated :

"It is two years from the end of the assessment year for I.T. cases and then there are of course special cases where we have re-opened them or where revised returns have been filed. Besides, there are the assessments which are re-opened under Section 147 (a) and 147 (b) of IT Act. For all these, there are time limits, even for set aside assessments."

2.6 Pointing out that out of 56,000 arrears of assessment as on 31.3.82, 34,000 were current arrears and 22,000 were not current but related to previous years, the Committee desired to know the period of pendency of the 22,000 arrear cases, i.e. how many were 10 years old, how many were 5 years old and so on. The witness stated :

"This will take time because we will not have the analysis in that manner. So far we have not found it necessary to watch the assessments year-wise. In this year, we are trying to introduce a concept of watching the 100 top cases of each Income-tax Officer and each Assistant Commissioners'. The bigger cases in this context would mean an income of about Rs. 50 to 60 thousands. In all these cases, there will be some kind of supervision. We are trying our best to introduce this concept. I hope, it will be successful."

2.7 The Committee wanted to be furnished with the break-up of pendency of income tax assessments status-wise (Company and non company assessments) for the three assessment years 1980-81 to 1982-83 as also the break-up of gross arrears of Corporation tax in the cases of assessee Companies with a slab of Rs. 1 lakh to Rs. 5 lakhs and above. The Ministry of Finance (Department of Revenue) have furnished the information as under :

*Break-up of pendency of income-tax assessments
status-wise (Company and Non-company)*

As on	Company	Non-company	Total
31.3.81	52254	2503713.	2555967
31.3.82	55861	2604828	2661689
31.3.83	58916	2521338	2580254

*Break-up of Gross Arrears of Corporation tax in
Company cases having arrears over Rs. 1 lakhs*

As on	No. of cases	Gross arrears (in thousands)
1	2	3
31.3.81		
(i) Over Rs. 1 lakh but not exceeding Rs. 5 lakhs	1566	3515.1

1	2	3
(ii) Over Rs. 5 lakhs	817	2614547
(iii) Total	2383	2966128
31.3.82		
(i) Over Rs. 1 lakhs but not exceeding Rs. 5 lakhs	1687	384512
(ii) Over Rs. 5 lakhs	922	2984013
(iii) Total	2609	3368525
31.3.83		
(i) Over Rs. 1 lakhs but not exceeding Rs. 5 lakhs	2001	463044
(ii) Over Rs. 5 lakhs	1068	3853045
(iii) Total	3069	4316089

2.8 - The Committee wanted a statement showing details about the growth/fall in the personal incomes/assets of large industrial houses over the last ten years. The Chairman, Central Board of Direct Taxes stated :—

“We do not seem to have this in that manner. We have answered Parliamentary Questions on assets as personal assets had come down. I would like to mention that if we have to analyse all of them and it would be a stupendous task.....Because here the income pattern will have to be seen year after year. In wealth tax study, it was a total block and was also equally difficult. I will prepare a note, it will take about a fortnight.”

The detailed note from the Ministry is still awaited.

2.9 When enquired about the steps taken to reduce the pendency of assessments, the Chairman stated :

“There are about 46 lakh assesseees. That is why in the last three years, there has been no increase in the arrears work-load. We are trying to do our best to see that the output is equal to the total work-load. We are having a plan including some of the suggestions of the Economic Administrative Reforms Commission. Then these two Circulars are also there with the idea of

ensuring that the work-load is reduced...It is slightly less in 31 March 1983 than in March, 1982. As far as our new plans are concerned, we have some of these things contained in the Administrative Reforms Commission Report which is not yet made public. I would not like to say anything about it."

2.10 Pointing out that the number of pending assessments had been constantly going up in the last five years and that during 1981-82, the pendency had increased from 25.56 lakhs (1980-81) to 26.61 lakhs. The Committee desired to know the reasons for the increase in pendency. The Committee also enquired whether the Ministry had thought of any meaningful measures to bring down the pendency within reasonable limits. The Ministry have in a note stated :

(a) The increase in pendency is only nominal. The main reason for this increase is the addition of new cases from year to year as a result of more and more persons filing voluntary returns or as a result of survey operations being conducted by the Income-tax Department. This fact coupled with the fact that an optimum level of disposals, looking to the manpower resources available, has been reached, the pendency has a tendency to increase.

(b) As regards the question as to what is the reasonable level of pendency, it cannot be replied in any absolute terms. A reasonable level of pendency in any office/organisation is one which would be in consonance with the manpower available in that office/organisation and considering as to what is the optimum level of disposal per month or per year.

Efforts are made to dispose of maximum number of assessments with a view to leaving as small a pendency as possible. With this view, the Action Plan Targets are fixed in key areas of assessments. Efforts are also made to achieve these targets. Some of the Commissioners are able to achieve them while some of them, because of constraints of manpower and other reasons, are not able to achieve them.

(c) In spite of the constraints regarding manpower under which the department has been working year after year, the following measures, *inter-alia* have been taken to bring down the pendency :—

- (i) Giving powers of assessment to the Income-tax Inspectors in summary assessment cases upto Rs. 25,000/-.

- (ii) Increasing the monetary limit for summary assessment scheme to Rs. 1 lakhs in non-company cases ;
- (iii) Summary assessment scheme also covers company cases showing income below Rs. 10,000/ and having paid up capital below Rs. 5 lakhs ;
- (iv) Summary assessment scheme now also covers new cases (returns filed whether voluntarily or otherwise) declaring total income below Rs. 25,000/ .
- (v) Deletion of sub-clauses (ii) and (iii) of section 143 (1) (b) of the I.T. Act by Finance (No. 2) Act, 1980 which has taken away the discretion of the ITO to make adjustments regarding certain admissible and in-admissible items.

2.11 As recommended by the Public Accounts Committee, the Income-tax Act had been amended and the work of assessment in important cases had been assigned to Senior Officers of the rank of Inspecting Assistant Commissioners. The Committee desired to know the types of cases allotted to the senior officers and whether they were working on their own or duplicating the work of the Income-tax Officers working under them. The Committee also asked whether the Ministry had assessed-in any concrete terms the results of the important measure.

The Ministry in a note submitted to the Committee stated :

(a) Circular No. 33 dated 9.1.1979 spells out the areas of work of the Inspecting Assistant Commissioner (Assessment) Range :

- (a) Cases having income of Rs. 5 lakhs and above ;
- (b) Search and Seizure cases ;
- (c) Foreign Company cases ;
- (d) Selected trust cases ; and
- (e) Selected tax fraud cases involving prosecutions or concealment.

The jurisdiction over all the five types of cases mentioned above is to be assigned concurrently to the I.A.C. and the Income-tax Officers working under him. However, all assessment work in respect of cases where the returned income or the last assessed income is Rs. 5 lakhs and above, shall be done by the Inspecting Assistant Commissioner himself.

Assessment work in respect of remaining four categories of cases mentioned above is to be done by the Income-tax Officers working under the I.A.C. (Assessment) under the supervision of the Inspecting Assistant Commissioner.

(b) The functioning of the institution of Inspecting Assistant Commissioners (Assessment) was reviewed by the Board in the context of improving the quality of assessment and various distortions which had crept in. It has now been decided that the Inspecting Assistant Commissioners (Assessment) are not to be assigned routine type of cases but only the high revenue yielding or tax fraud cases in order to utilise the wider experience of these officers.

2.12 Pointing out that the reform was made in 1978 and that even thereafter the pendency in scrutiny assessments which included important cases, had remained at the level of about 10 lakhs; the pendency in company cases had been constantly going up from 40,563 in 1978-79 to 43,886 in 1979-80, 52,250 in 1980-81 and 55,861 in 1981-82, the Committee enquired how the Ministry would reconcile this continuing increase in the pendency of important cases with the induction of senior officers for assessment work. The Committee also wanted to know the approximate amount of revenue locked up in 9.88 lakh scrutiny assessments pending as on 31.3.82. The Ministry have in a note submitted to the Committee stated :

- (a) As is evident from the jurisdiction pattern of the Inspecting Assistant Commissioners (Assessment), he is to be assigned only selected cases requiring deeper scrutiny. With this view in mind, no stress has been laid on quantity of disposals. Generally, scrutiny assessments are handled by the Income-tax Officers, whose strength is limited whereas the workload is on the increase. The increase in the company assessment is mainly due to the reason of new cases being taken up on the registers of the Income-tax Department.
- (b) It is very difficult to concretise any such figure. It may, however, be mentioned that taxes upto the stage of income returned are normally paid either as advance tax or self-assessment tax."

CHAPTER III

PERFORMANCE INDICATOR COLLECTION OF INCOME TAX

Tax Arrears

3.1 The following table indicates the level of performance in a few specified areas of work so far as collection of Income Tax :—

Year	Effective arrears at the beginn- ing of the year	Demand created during the year	Total (in crores of rupees)	Demand Collected	Effective arrears at the end of the year	Percentage of collec- tion to total dues i.e. Col. 5 to Col. 4
1	2	3	4	5	6	7
1977-78	721	2311	3032	2223	809	73
1978-79	809	2355	3164	2429	735	77
1979-80	735	2838	3573	2732	841	77
1980-81	841	2839	3680	2817	863	77
1981-82	863	3559	4422	3445	977	78

3.2 The Committee desired to know the post assessment demand pending in the year 1981-82. The Chairman CBDT stated :—

The arrears demand is of Rs. 1239 crores.

3.3 When asked to define the term 'Post assessment demand' the witness stated :

"No such term is used. The arrears may be termed as post assessment demand".

The witness added :

"During the year 1981-82, the assessment demand was Rs. 2432 crores and the amount of Rs. 1901 crores has been collected and we are left with a balance of Rs. 530 crores".

3.4 When asked for the reasons for not effecting the recovery, the witness stated :

"It is because of appeals partly. Some of these demands had not partly fallen due..... As on 31st March, 1982, it is Rs. 182 crores that has been locked up in litigation".

3.5 The Committee enquired whether the Department had thought of any mechanism to recover these demands. The witness stated :

"The effect of our efforts is the position what we have at the moment".....As against a 55% target for collection/reduction of arrear demand we reached at 41%. The demands have been increasing. The current demand in 1981-82 was Rs. 2432 crores against Rs. 2255 crores in 1980-81. In the expectation of 85% collection out of current demand, the increase in arrears in the account alone is Rs. 30 crores. One of the reasons is litigation. Some time we find that the assessee is not traceable or is dead or is having no assets. We had the difficulty of the assessee transferring his assets. The Income Tax Act has been amended and alienation after the demand made is now void".

3.6 The Committee drew attention to the fact that over 90% of the tax collections were made up of pre-assessment collections, viz. taxes paid by the assessees on their own either by way of deduction at source or advance payment of tax or payment of tax on self assessment. The tax recovered on regular assessment was under 10% of the gross collection. The Ministry of Finance had explained the functions devolving on the officers of the department in respect of the pre-assessment collections. These functions, by and large, comprise linking of such pre-payments and crediting them to the tax-payers in their final assessment. The effective arrears of tax remained at the level of about Rs. 1000 crores (Rs. 977 crores at the end of 1981-82).

3.7 The Committee enquired whether it would be wrong to say that most of the important work of the department, such as, survey intelligence assessment and even litigation was reflected only in post assessment collections in so far as all these functions related only to arrears where there was no automatic compliance by the tax payers. The Ministry of Finance have in a note submitted to the Committee have stated :

"The effective arrears of tax as depicted in the C&AG's Report 1981-82 are provisional figures. As per the final figures, the gross demand outstanding comes to Rs. 1239.33 crores and out of this the demand not fallen due (i.e. cases where the period of 35 days has not expired as on 31st March, 1982) come to Rs. 279.76 crores. Thus the effective arrears worked out to Rs. 959.57 crores. The figures of effective arrears as shown in the C & AG's Report are worked out by reducing the demands where the period of 35 days has not expired, from the total gross demand. However, the concept of tax-in-arrears is in vogue in the Department. For the purpose of working out the tax-in-arrears the following items are reduced from the total outstanding :—

- (i) Amounts not legally fallen due for payment.**
- (ii) Amounts claimed to have been paid, but pending verification/adjustment.**
- (iii) Amounts stayed/kept in abeyance.**
- (iv) Amounts for which instalments granted.**

The tax-in-arrears as on 31-3-1982 worked out on the above basis come to Rs. 707.57 crores. The figures of tax-in-arrears are furnished in reply to parliament Questions.

It would not be wrong to say what most of the important work of the Department such survey, intelligence, assessment and even litigation is reflected in the post-assessment collections.

3.8 When asked whether it was true that the actual collection out of the post-assessment demand was only on the order of Rs. 300 crores (Rs. 327 crores for 1981-82) and that the effective arrears of tax by and large comprised demands created at the post-assessment stage, the Ministry have in a note submitted to the Committee stated :—

"The actual collections out of post-assessment demand comes to Rs. 326.90 crores during 1981-82. Besides this, refunds to the extent of Rs. 428.44 crores were issued by the Income-tax Officers. Thus, in all, work relating to Rs. 755.34 crore in respect of collection/refund was performed by the assessing officer.

The effective arrears of Rs. 960 crores mentioned above are the arrears outstanding out of the regular demand raised as a result of completion of assessment."

3.9 Pointing out that the effective arrears of tax demand at the end of the year was Rs. 977 crores and the actual post assessment collection was Rs. 327 crores, nearly one third of the arrears, the Committee enquired whether it was correct to say that the demands created at the post assessment stage were disputed on a large scale and that the department could realise only that amount which was realisable because of the self-compliance of the tax payer.

The Chairman, Central Board of Direct Taxes stated :

"Out of the post assessment demands, our attempt is to collect all the demands except those pending in first appeal where the demand is seriously disputed. The disputes relate to both fact as well as on law. There could be genuine disputes like 80-J deductions of I.T. Act 1961 which have gone to the Supreme Court."

3.10 The Ministry have in a note submitted to the Committee stated :

"A statement showing the break-up of the effective arrears of Rs. 959.57 crores is enclosed herewith (appendix IX). It would be seen from the break-up that only arrears to the extent of Rs. 226.06 crores are disputed. It is, therefore, not correct to say that most of the demand created at the post-assessment stage are disputed."

3.11 The Committee wanted to know the percentage of tax which was automatically paid by the assessee on their own and which was left out for collection. The Ministry have in a note informed as under :—

"For the purpose of furnishing the requisite information the Commissioners of Income-tax were asked to furnish the following information in respect of the top 10 cases of their charges :—

(i) Name of the assessee ;

- (ii) Total demand raised for the latest completed assessment ;
- (iii) Amount out of (ii) above already paid by way of
 - (a) Advance-tax
 - (b) Tax deducted at Source
 - (c) Self-assessment
- (iv) Balance being tax payable out of regular assessment.
- (v) Percentage of item (iv) and (ii) above.

So far information has been received in respect of 25 Commissioners of Income-tax. The information received from them indicates the following position.

Name of the CIT Charge	Percentage of tax paid by the assessee by way of Advance-tax, tax deducted at source, self-assessment, etc. (In crores of Rs.)	Percentage of tax left out for collection by the Income-tax Deptt.
(1)	(2)	(3)
1. Tamil Nadu I	76.86	23.14
2. A.P. I	90.28	9.72
3. Madras (C)-II	34.50	65.50
4. Haryana	84.50	15.50
5. Jullundur	64.92	35.08
6. Bombay City I	90.86	9.14
7. Kolhapur	76.61	23.39
8. Madras (Inv.)	38.50	61.50
9. Karnataka I	98.70	1.30
10. Tamil Nadu V	81.88	18.12
11. Nasik	98.50	1.50
12. Nagpur	85.81	14.19
13. Bhopal	67.13	32.27

1	2	3
14. Amritsar	93.11	6.89
15. Assam	87.69	12.31
16. Rajkot	77.51	21.49
17. West Bengal I	99.49	0.51
18. Orissa	80.04	19.96
19. Patiala	82.11	17.89
20. Jodhpur	79.59	20.41
21. Surat	53.63	46.37
22. Jaipur	67.82	32.58
23. Tamil Nadu IV	102.53	(-) 2.53
24. Trivendrum	91.08	8.92
25. Allahabad	91.54	8.46

3.12 The effective arrears have been going up in the last few years from

Rs. 735 crores at the end of 1978-79 to
 Rs. 841 crores at the end of 1979-80
 Rs. 863 crores at the end of 1980-81 and
 Rs. 977 crores at the end of 1981-82.

Inviting the attention to the above, the Committee wanted to know the reasons for the continuous rise even after the strengthening of the department and the creation of posts of Commissioners of Income Tax exclusively for tax recovery. Further, pointing out that in the past the Ministry of Finance had repeatedly assured the Committee that steps were being devised and taken to effectively reduce arrears, the arrears continued to rise, the Committee desired to know the steps proposed to be taken by the Ministry to tackle the situation. The Ministry of Finance (Deptt. of Revenue) have stated :—

“The phenomenon of tax arrears is a continuing one. Even though the tax outstanding at the beginning of a financial year is collected/reduced to a substantial extent by the year end, the arrears again go up mainly because a part of fresh tax demand raised during the course of the year (on completion of regular assessment etc.) is not fully collected and therefore becomes

fresh arrears of tax at the end of the year. The demand created during the last five years were as under :—

(In crores of rupees)

Financial Year	Demand raised	Amount of increase	Effective arrears	Amount of increase
1978-79	1798.72	—	735.00	—
1979-80	2098.42	299.70	841.00	106.00
1980-81	2507.91	409.49	863.00	22.00
1981-82	2664.71	156.80	960.00	97.00
1982-83	3087.81	423.10	1137.00	177.00

It would be seen from the above statement that the main reason for the increase in arrears is the substantial increase in the demand raised during the year.

The Income-tax Act, 1961 provides for several steps enforcing collection and recovery of tax-in-arrears such as levy of penalty, charging of interest, attachment of moneys due to the defaulters, distraint and sale of movable property, attachment and sale of immovable property, committing the defaulter to civil imprisonment etc. Depending upon the facts and circumstances of each case, suitable steps are taken from time to time by the Income-tax authorities concerned for recovery of tax arrears. Apart from this, several administrative steps have been taken in recent years to accelerate the pace of recovery. The main steps are as under :—

1. *Monitoring by the Board :*

Monthly progress of recovery of tax arrears is monitored by the Central Board of Direct Taxes. The figures are obtained telegraphically from the Commissioners and appropriate remedial action taken.

2. *Arrears of above Rs. 10 lakhs in each case :*

Director of Recovery of the rank of Commissioner of Income-tax closely watches the progress of tax arrears particularly in cases of above Rs. 10 lakhs. His progress is supervised by the Board. The Director of Recovery has been asked to go on frequent tours to the field offices for on the spot study of the assessment records and for holding discus-

sions for accelerating the efforts towards steady recovery of tax arrears where large amounts are involved.

3. *Disposal of high demand appeals :*

Exercise of close supervision on the progress of disposal of high demand appeals, i.e. an appeal involving tax arrears of Rs. 1 lakh and above. For this purpose the Commissioners of Income-tax (Appeal) are addressed by the Member (CBDT) individually, wherever required and the progress of disposal appraised.

4. *Attention to bigger cases :*

Instructions have been issued to the Commissioners of Income-tax that they should watch each important event in the top 100 cases in their Charges. In those cases they are expected to watch that timely and proper action is taken in all matters. They should also see to it that in their supervisory role those working under them are taking care of these top cases (the number 100 may be varied according to total number of cases involved). Since the large arrears are concentrated in the bigger cases, this step is also bound to lead to arresting the growth of arrears.

5. *Strengthening the recovery staff:*

Recently 5 posts of Commissioners of Income-tax (Recovery) have been sanctioned to be located at Bombay, Delhi, Calcutta, Madras and Ahmedabad. This step would give a great fillip to the work of recovery at these places. These tax Recovery Commissioners will supervise the working of TROs and this is expected to result in increased efficiency and effectiveness of tax Recovery Officers in reduction/collection of arrears.

The question of tax administration and its rationalisation and improvement has been referred to the Economic Administration Reforms Commission. Further measure to tighten up the administrative machinery in respect of recovery of taxes will, therefore, be taken in the light of recommendations which may be received on the subject from the said Commissioner and the decisions taken with reference to it.

3.13 The Committee desired to know the proportion between the increase in staff for recovery purposes and the tax additionally collected. The witness stated :

“On the recovery side, there has been no increase in staff. There are five more Commissioners of Income-tax”.

3.14 In para 1.11 of the Audit Report 1981-82, the working of the Tax Recovery Officers has been reviewed. While commenting upon the lack of coordination between income-tax officers and Tax Recovery Offices in para 1.11.8 it is mentioned that in 46 Tax Recovery Offices in West Bengal, recoveries of Rs. 59.06 crores were lying without any action for want of particulars from the Income Tax Officers. Similarly in 69 Tax Recovery offices in Bombay and Pune charges recovery proceedings in respect of arrears of Rs. 15.44 crores could not be pursued for want of particulars from Income-tax officers.

3.15 Drawing attention to the above, the Committee wanted to know the total amount of revenue where recovery was held up for want of proper coordination between the Income tax officers and Tax Recovery officers. The Committee also desired to know the concrete steps that had been taken by the Ministry to effect improvement in this regard as sequel to the Audit Para or otherwise. The Ministry have in a note stated :

“It is not physically possible to furnish actual figures of the total amount of revenue where recovery is held up for want of proper co-ordination between Income-tax Officers and Tax Recovery Officers as no records are kept for this purpose.

Necessary instructions have been issued by the Government for streamlining the toning up of the machinery for collection of arrears of taxes and also for effecting proper co-ordination and supervision of the recovery work Government of India Instructions No. 1149 (F.No. 385/75/76-ITB) dated 10-7-1973 No. 1478 (F.No. 398/29-81-ITB) dated 27-7-1982 No. 1520 F.No. 398/30-82/ITB 1 dated 20-7-83 and No. 1542 (F.No. 398/86/83-ITB) dated 3rd December, 1983. These instructions have made their impact and the position is improving gradually”.

3.16 The Committee enquired whether the Ministry had conducted any review of the efficacy of tax Recovery Officers to examine how for the objects with which a separate organisation for recovery was set up, has been achieved, In a note the Ministry have stated :

“No review of the tax recovery work has been conducted so far. For gearing up the recovery work 5 posts of CIT (Recovery) were sanctioned in 1981 at Bombay, Calcutta, Madras, Ahmedabad and Delhi. With the issue of the aforesaid instructions and as a result of creation of separate posts of CIT (Recovery) there is marked improvement in the work relating to tax recovery.”

3.17 The Committee desired to know the increase in recovery staff during the last five years and how far it has helped to increase the tax collection and to reduce the total tax outstanding. The Ministry in a note submitted to the Committee stated :

“The sanctioned strength of the deployment of officers as on 1-4-1978 to 1-4-1982 is as under :—

	As on 1-4-1978	1-4-1979	1-4-1980	1-4-1981	1-4-1982
C.I.T.	—	—	—	—	5*
A.C.	—	—	—	—	—
T.R.O.	223	223	223	223	223
Inspector	688	688 £	465	465	465
Supervisor	54	54	54	54	54
Head Clerk	105	105	105	105	105
U.D.C.	688	688 £	465	465	465
L.D.C.	544	544 £	321	321	321
Steno	223	223	223	223	223
Notice servers	669	669	669	669	669
Peon	487	487	487	487	487

* Posts of CIT(R) were sanctioned only 1982.

£ 223 posts each of Inspector, UDC and LDC were diverted for Recovery work to Summary and Assessment in Sept, 1979 on the recommendation of SIU.

2. It can be seen from the above statement that during the past 5 years only 5 posts of C.I.T. (Recovery) were created. On the other hand, the number of Inspectors have fallen by 223. Similarly, the number of U.D.Cs. and L.D.Cs. have also gone down by 223. It is clear from this that there is no substantial increase in the recovery staff during the last 5 years. The figures of collection/reduction out of arrear demand, current demand and budget collection during the last 3 years were as under :—

	(In Crores of Rs.)				
	1978-79	1979-80	1980-81	1981-82	1982-83
Collection/ reduction out of arrear demand	439.33	340.60	422.01	468.76	568.48
Collection/ reduction out of current demand	1458.77	1665.75	2036.21	2128.80	2380.03
Budget collection	2428.86	2732.21	2817.39	3445.46	3753.24

The creation of 5 posts of C.I.T. (Recovery) has had its effect in improving the reduction of arrears and collection of arrears but in the absence of specific study the extent of increase directly attributable to the creation of these posts is not known.

CHAPTER IV

PERFORMANCE INDICATORS

4.1 The following table indicates the level of performance in so far as Appeals are concerned :—

Year	Number of appeals disposed	No. of Appeals pending at the end of the year
1977-78	64289	2,22,443
1978-79	163510	2,78,313
1979-80	155319	3,50,974
1980-81	208744	3,59,593
1981-82	237567	3,53,739

4.2 In the matter of appeals there has been a considerable amount of strengthening of the department; as many as 101 posts of commissioners and 60 posts of Assistant Commissioners have been added in the last few years. The number of appeals pending has been constantly going up from 2.22 lakhs at the end of 1977-78, to 2.78 lakhs at the end of 1978-79, 3.50 lakhs at the end of 1979-80 and 3.60 lakhs at the end of 1980-81. During 1981-82, there has been a marginal decline to 3.53 lakhs.

4.3 The number of Commissioner (Appeals) in position and the disposal made and pendency of appeals during 1979-80 to 1981-82 are as under :—

Year	No. of CITS in position	Opening Balance	Instituted during the year	Total	Disposal	Pendency
1979-80	69	27446	56383	83829	36879	46950
1980-81	69	46950	42374	89324	35181	54143
1981-82	101	54143	46798	100941	38088	62853

4.4 The Committee desired to know the reasons for the pendency of appeals not showing any substantial improvement despite considerable strengthening of the appellate machinery in the Department. The Committee also pointed out that though the number of Commissioners (Appeals) had increased from 69 to 101 in 1981-82, the data furnished by the Ministry of Finance to the Committee would seem to indicate that there had been only a small increase in the number of disposal of appeals during the year 1981-82 over 1980-81 (38088 against 35181). In fact, the number of appeals pending with the Commissioner of Income Tax (Appeals) had been going up very fast from 46950 at the end of 1979-80 to 54143 at the end of 1980-1 and 62853 at the end of 1981-82. The Committee wanted to know the precise reasons for the pendency. The Chairman, Central Board of Direct Taxes stated :—

“We are examining this. We have to continually examine. There is no alternative. But the reason for the increase is after all, the Scrutiny assessments have gone up from 19.3 lakhs to 20.7 lakhs. We later increased the number of Commissioners (Appeal) and the disposal have gone up from 37000 to 48000.”

The witness added :—

“I am giving you concrete figures. In 1979-80 we had 69 commissioners and we could dispose of 36879 cases. In 1980-81 we had 69 commissioners and the disposal was only 35181 cases. In 1981-82 we had 101 Commissioners and the disposal went upto 38088 but percentage-wise it has come down. In 1982-83, 48726 with 101 commissioners.”

4.5 When asked whether it was a fact that the increase in the number of appeal cases disposed of was not commensurate with the increase in the number of Commissioners, the witness stated :

“I admit. The only point I wanted to make was in 1981-82 these 101 Commissioners, were in position only in November, 1981.”

The Ministry of Finance (Department of Revenue) have in a note submitted to the Committee stated :

“Posts of Commissioner (Appeals) were increased from 69 to 102 in September, 1981. Posting orders in respect of these posts

were issued in November, 1981. Provision of infrastructure facilities for these new posts took some more time. Therefore, in the year 1981-82, the contribution of new posts of CSIT (A) to the disposal of Commissioners (Appeals) was limited

The quota of disposal fixed for Commissioners (Appeals) is 70 appeals per month for moffusil charges, 60 appeals per month for metropolitan charges and 30 appeals for Central charges. This quota was fixed considering that the appeals heard by them involve complicated issues, large revenues and a number of points are to be decided in every case and the assesseees are represented by senior advocates."

Also Commissioner (Appeals) were asked to concentrate on disposal of priority appeals which involve large amount of arrears. The hearing and the passing of the orders in priority appeals is time-taking.

The disposal of Commissioners (Appeals) during the years 1980-81, 1981-82 and 1982-83 is not inadequate keeping in view the quota fixed for them, the vacancies and that there are only eleven working months, one month being for leave.

Financial year	Number of posts of CsIT (A)	Total Disposal
1980-81	69	35,181
1981-82	102*	37,088
1982-83	102*	48,726

*Note : Increased from 69 to 101 in September, 1981.

Posts of AACs were increased by 36 in November, 1980 and further by 24 in September, 1981. The quota fixed for AACs is 165 appeals in moffussil charges and 150 appeals in metropolitan cities. The average disposal of the AACs also is not inadequate keeping in view the quota fixed for them, the vacancies and that there are only eleven working months, one month being for leave. The quota is fixed slightly on the high side to have an element of challenge in it.

Financial year	No. of posts of AACs	Total Disposal
1980-81	151*	1,73,563
1981-82	175**	2,00,432
1982-83	175	2,12,615

Note : *Increased from 115 to 151 in November, 1980.

**Increased from 151 to 175 in September, 1981.

The Appellate system at the stage of first appeal has strengthened in the years 1980-81, 1981-82. As a result of it the trend during the last 3 years is of increase in disposal and reduction in pendency. It is hoped that over the years the pendency will be substantially reduced. The institution of appeals is also being controlled.

*Institution, Disposal and pendency of
appeals before AACs/CsIT*

Financial year	Institution	Disposal	Pendency
1980-81	2,19,062	2,08,744	3,59,593
1981-82	2,31,574	2,37,567	3,53,739
1982-83	2,34,804	2,61,341	3,35,048

4.6 Drawing attention to the fact that the Commissioners of Income tax (appeals) and Assistant Appellate Commissioners had plenary powers of disposal the Committee asked for the percentage of cases of appeal actually disposed of by them finally as distinct from cases which were merely set aside or remained to the assessing officers.

The witness stated :

“The cases set aside are 2000 to 2500. The total number of appeals filed has gone up. The disposal has also gone up to 40,000 in one year i. e. by about 30%. The numbers of posts of Commissioner (Appeals) has gone up by 50%.”

The Ministry of Finance (Deptt. of Revenue) have in a note stated :—

“The CsIT (Appeals) and AACs have plenary powers of disposal. The percentage of set aside appeals to total disposal of appeals by AACs and CsIT (A) in the past two years was as under :—

	1981-82	1982-83
(1)	7.8%	6.9%
(2)	7.1%	6.32%

The Board is keeping watch on set aside orders. The percentage of set aside orders has gone down in 1982-83 over 1981-82.”

4.7 The Committee wanted to know the alternative proposals before the Ministry of Finance to improve matters in this regard, since the strengthening of the appellate machinery had not helped in bringing down the pendency. The Ministry have in a note stated :—

“The trend is towards reduction in pendency. The institution of appeals is being controlled and their disposal is being increased. The full effect of the increase in the strength of AAC/CsIT (A) will be felt in coming years.

Proposals are under consideration for giving power to CsIT (Appeals) and AACs to dispose of appeals on the basis of written submissions without necessarily calling the assessee for hearing.

The assessment system has been strengthened by involving IACs in the assessment either under Section 144A and 144B or by assigning cases to them for assessment. In view of the inquiry and addition as a result of these assessments and large amount being involved, assessee take a chance before the CIT (A)/AAC. The figures of total assessments made and total appeals filed are given below :

Financial year	Assessments Completed		Total
	Summary	Scrutiny	
1	2	3	4
1980-81	30,81,455	9,53,757	40,35,213
1981-82	34,58,096	10,89,620	45,47,716
1982-83	32,98,297	11,36,817	44,35,114

No. of appeals filed before AACs/CsIT (A) against all appealable orders (Assessment), Registration, Petition, Penalty etc.	Percentage of first appeals filed to the total No. of asstts. completed.	Percentage of first appeals filed to the total No. of scrutiny asstts. completed.
2,19,062	5.4%	22.9%
2,31,574	5.08%	21.3%
2,34,804	5.3%	20.7%

4.8 Pointing out that bulk of the tax came in by way of self-compliance, the Committee asked for the reasons for so much litigation and so many appeals filed against the orders of the assessing authorities (the number of appeals filed during 1981-82 was of the order of 2.32 lakhs). The Ministry have stated in a note :—

“No appeal lies in respect of summary assessments made under section 143 (1). Appeals lie in case of scrutiny assessments where additions are made. Appellate orders also include orders of penalty, registration, claim of partition, etc. In the cases of summary assessment also, such appealable orders arise. The total number of appeals filed include appeals filed against all these orders. We do not have the figures of all the appealable orders passed by the Department. However, the above figures show that the percentage of total appeals with reference to the Scrutiny assessments, is about 20% to 22%. But since appeals are filed also against other appealable orders i. e., penalty, registration etc. the percentage of appeals filed against all appealable orders will be much less.”

Repetitive appeals are filed before the AACs and CsIT (A) in respect of issues on which judicial controversy remains pending before the High Courts or the Supreme Court. It takes 15 to 20 years for the controversy to be finally settled by the Supreme Court. As a result, a large number of repetitive appeals on the same issue are filed before the AAC/CIT (A). If appeals arising on this account are excluded, the percentage of appeals filed against all appealable orders will be negligible. The High Courts and the Supreme Court are requested to take

up out of turn for hearing the cases which involve issues on which repetitive appeals are filed before the CIT (A)/DAAs.

4.9 Pointing out that about five lakh number of people in the tax net had gone on appeal and crores of rupees had been locked up, the Committee enquired whether there was any scope outside the law for negotiating with the assessee by way of mediation or conciliation so that the department could collect the money thereby and avoid the multiplicity of the court proceedings. The Chairman stated :

“The assessee can withdraw the appeals and go to the Settlement Commission. Then we can collect the demand from them... If the assessee is not satisfied, nothing could be done...A good part of the amount is on legal lines. It is our aim that litigation should come down but cutting down of litigation does not mean settling the cases.”

Action Plan Targets

4.10 The Committee desired to be furnished with a tabular Statement showing the Action Plan Target and the actual achievements during the last five years under certain broad heads such as completion of assessments collection of arrears, disposal of appeals etc. The information furnished by the Ministry of Finance (Department of Revenue) is appended to the report *vide* Appendix. IX.

4.11 It is seen from the information furnished by the Ministry that in almost all cases, the achievement fell far short of the targets. The range of shortfall in the two important areas of work *viz.*, assessment and collection are indicated below :

Ranges of Shortfall

<i>Year</i>	<i>assessment (percentage)</i>	<i>collection (percentage)</i>
1978-79	7-43	1-31
1979-80	5-46	6-17
1980-81	9-44	2-15
1981-82	16-46	3-15
1982-83	4-48	6-20

4.12 The Committee pointed out that in all these years i.e. from 1978-79 to 1982-83, the actual performance in both the crucial areas of assessment and collection had fallen far short of the Action Plan

targets laid down by the Central Board of Direct Taxes itself. The shortfalls ranged upto as much as 48% in the case of assessment and 31% in the case of collection. The Committee wanted to know the reasons for these persistent shortfalls in performance. The Chairman, Central Board of Direct Taxes stated :

"48% shortfall is not in a very big area. In the main areas, the target fixed was 75 and we reached 65. In the case of summary assessments the target was 90 and we achieve 74%. The summary assessment cases have also to be scrutinised to see whether it is summary or scrutiny cases. After that the assessment will have to be made."

In reply to a question, the witness added :

"I do not agree that ITOs have some free time left as most of the work in these cases is done by the clerks. Part of the work will have to be done by his assistants ; ITO is a Manager. He has to manage the work and here he becomes the Supervisor. He has to see the four or five factors which make the assessment either summary or scrutiny one. There is a particular way of discharging the responsibility."

4.13 The Committee enquired about the workload for an I.T.O. in respect of cases above Rs. 5 lakh income and whether the work load was sufficient in their cases. The witness stated :

"We expect him to do 30-40 assessments in a year, It is rather heavy. There is a lot of difference between the case of TELCO and a grocer in Khan Market."

4.14 Pointing out that there was a heavy shortfall in completion of assessments, the Committee asked whether the department had analysed the reasons. The witness stated : "We have not analysed."

The Ministry of Finance (Department of Revenue) have in a note submitted to the Committee stated :

"The short-fall reported in these two key areas is not fully correct. The deficiency of about 48% is not in disposal of as assessments as a whole but it is only in a particular area of search and seizure cases where searches were completed before 31.3.1980 while in current areas of search and seizure the deficiency is

only 4%. Similarly, in the area of collection the shortfall of 31% was only in Wealth-tax Current Demand and Gift-tax Current Demand and that too was only in the year 1978-79. The shortfall in Wealth-tax Current Demand has been reduced to 12% only in the year 1981-82. Besides these two areas of W.T. and G.T. Current Demand have not been considered as important areas in the Central Action Plan and these have been removed from the year 1982-83.

- (a) As stated above the heavy shortfall is only in following areas as per figures reported for the year 1982-83 :

	Shortfall in disposal

(1) Company scrutiny assessments with returned/last assessed income of Rs. 1 lakh and above	25%
(2) Search and Seizure assessment where searches were completed on or before 31.3.80	48%

While formulating Action plan for the year 1982-83, the above two key areas were considered important and were included in the Action Plan for the first time. Therefore, the percentage of achievement cannot be compared with the achievement made in earlier years. Accordingly, the targets were fixed on estimate basis."

4.15 The Committee enquired the basis on which the Action Plan Targets were fixed by the Board. The Ministry have in a note submitted to the Committee stated :

"Action Plan Targets are fixed by the Central Board of Direct Taxes in consultation with the Commissioners of Income-tax and Members of the Board. This exercise is done after taking into account the actual performance in the earlier 3 years, the arrear, current workload and available manpower. The targets are so set that there is an element of challenge in regard to their achievement. For example, the target set for collection of arrear Income-tax demand has been 55% whereas the achievement is about 43%. Similarly, as against the target of 85% set for collection of current Income-tax demand, the per-

formance is about 79 or 80%. This suggests that while some of Commissioners are able to achieve and exceed the targets laid down, some others are not. This happens because of the varying conditions prevalent with different Commissioners e.g. extent of difficulties and complexities involved. extent of workload and varying availability of manpower.”

4.16 The Committee asked whether there was any machinery in the Department for a continual review of performance against the Action Plan Targets during the Centre of the year. The Ministry have in a note stated :

“Monitoring of implementation of the Action Plan is carried out by Directorate of O&M Services (Income-tax) by calling for Quarterly Control Statements from the Commissioners of Income-tax which contain data about the workload and performance during the quarters as against the targets laid down. On the basis of the data received, a quarterly review is carried out to ascertain the achievement with regard to each objective set out in the Action Plan. At the end of the year, an annual review is carried out. These reviews made at the level of the Chairman, Central Board of Direct Taxes, help in indentifying the centres where the performance is lagging far behind the targets so that corrective action can be taken in time.”

4.17 The Committee pointed out that during the year 1981-82 there had been particularly heavy shortfall in the completion of assessments—a shortfall of 16% in the case of scrutiny assessments and a shortfall of over 40% in the case of summary assessments. The Committee enquired whether the Ministry had analysed the reasons for this. The Ministry have stated :

“Regarding shortfall of 16% in the disposal of scrutiny assessments in the year 1981-82, the performance of 50% disposal was satisfying. As against the original target of 59% fixed in the beginning of the year, the target was revised to 75% in January, 1982 in order to achieve better performance. Some of the Commissioners exceeded this target of 75% also. The percentage of disposal was 3% more than the percentage achieved in 1980-81.

The shortfall of over 40% reported in the case of Summary assessments is not correct and the position is as under :

	Target	Achievement	Shortfall
1978-79	90%	74%	16%
1981-82	85%	68%	17%
1982-83	85%	69½%	15½%

It appears the shortfall stated to be over 40% has been noted in "Summary cases selected at random for scrutiny". This area was taken only in the year 1981-82 and being not an important key area of work in the Department, was dropped in the next year 1982-83.

Each Commissioner of Income-tax indicates in the quarterly control statement the shortfall in performance if any, in each area of work and the reasons for shortfall are mentioned by him. While issuing quarterly reviews those Commissioners who lag far behind the target fixed for each quarter are being asked to look into the matter and take steps to improve the performance in the next quarters."

4.18 The Committee desired to know the precise reasons for the shortfalls in the achievement of Action Plan Targets of Collection which was in the order of 16-20 percent. The Ministry have stated :

"The shortfalls over the Action Plan targets of collection appear to be only 2% to 7% in respect of current demand and 10% to 17% in respect of arrear demand. The reasons normally given by the Commissioners who are not able to achieve the target set for reduction of arrears of Income-tax are that the arrears pertaining to past years form a hard core. A significant portion of it is disputed in appeals and also stayed by various authorities including courts. Apart from this, there are other reasons like assessees having died without leaving behind any worthwhile assets or companies in liquidation etc. or demands not fallen due."

CHAPTER V

OBSERVATIONS OF THE COMMITTEE

5.1 The Committee note that during the five years from 1977-78 to 1981-82, the cost of collection of direct taxes has gone up from Rs. 46.07 crores to Rs. 73.91 crores. The cost of collection for the year 1982-83 is stated to be Rs. 78.66 crores (provisional). The Collection of tax revenue has also increased from Rs. 2289.90 crores in 1977-78 to Rs. 3551.63 crores in 1981-82. The gross collection for the year 1982-83 is Rs. 3900.48 crores as reported by the Ministry of Finance (Department of Revenue). With the increase of tax revenues during these years, the cost of collection per hundred crores of revenue should have come down. In the case of indirect taxes, the cost of collection per hundred crores of revenue has come down by 24 per cent during the period 1977-78 to 1981-82, whereas in the case of direct taxes the cost per hundred crores of revenue has actually gone up by 3 per cent. This is a cause for concern. As the Committee find, the expenditure on collection of direct taxes, as a percentage of the total tax yield had come down during the period 1977-78 to 1979-80 having reached 1.87 per cent during 1979-80, thereafter it has again gone up.

5.2 The relatively high cost of collection of direct taxes will be more conspicuous on a deeper analysis of the data relating to the work of the Income tax Department. As the Committee observe, over 90 per cent of the collections of taxes on income (including the Corporation Tax) are made up of pre-assessment collections, i.e. taxes paid by the assesseees on their own either by way of deduction at source or advance payment of tax or payment of tax on self-assessment. The tax recovered on regular assessments is under 10 per cent of the gross collections. Thus, as against the total gross collections of Rs. 3794 crores on account of taxes on income (including the Corporation Tax) for the year 1981-82, only Rs. 327 crores related to post-assessment collections. As the functions devolving on the officers of the Department in respect of pre-assessment collections, by and large, comprise linking of such payments and crediting the same to the tax-payers in their final assessments, the expenditure of Rs. 73.91 crores on the collection of the above taxes

can be said to be mainly relatable to post assessment collections which amounted to only Rs. 327 crores in 1981-82. The Committee are not fully satisfied with the explanation of the Ministry that the increase in cost of collection is inevitable as 80 per cent of the expenditure is on salaries. The Committee feel that with determined efforts on the part of the Department together with further streamlining of procedures and greater attention to bigger cases, the expenditure on collection of direct taxes as a percentage of total tax yield can be brought down considerably. The Committee would like the Ministry to make all endeavours to this end.

5.3 Over the years, there has been increase in the strength of staff and attempts have been made to simplify and streamline the procedures, in order to save manpower for re-deployment in more crucial areas of work.

5.4 As regards the strengthening of the Income-tax Department for better tax administration, the Committee find that in the last five years, i.e. from 1978-79 to 1982-83, the strength in the cadres of Commissioners, Inspecting Assistant Commissioners, Income-tax Officers and Income-tax Inspectors has been increased from 7891 (1978-79) to 8504 (1982-83). Save areas of 'Recovery' and 'Acquisition', there is a considerable increase in strength in all the areas such as 'General Administration', 'Assessment', 'Appeals' and 'Survey'. The number of Commissioners of Income-tax has gone up by 138, that of Inspecting Assistant Commissioners/Appellate Assistant Commissioners by 115 and Income-tax Officers by 286. In addition, in the lower cadres, over 2500 posts of Inspectors, Tax Assistants, UDCs, LDCs have been added. In spite of these increases, the Committee regret to observe that the position in three vital areas of work of the Department—assessments, collections and appeals, has not shown any improvement. The Committee would like the Ministry of Finance to conduct a study as to how far the heavy expenditure on the increased strength has served its purpose and if the results have not been as expected, what are the reasons therefor and what remedial measures ought to be taken to improve the position.

5.5 The Committee are surprised to find that the number of individual assesseees with a returned income of above Rs. 5 lakhs shown on the records of the Income-tax Department was only 900 as on 31.3.1982. What is more surprising is that even this number has come down to 599

as on 31.3.1983. The Committee find it difficult to believe that the number of individual assesseees with an income of over Rs. 5 lakhs could be only 599 in the whole country. In their opinion, it is just indicative of the ineffectiveness of the Income-tax Department to prevent large scale evasion in the higher slabs of income. The picture becomes all the more disappointing when it is seen that in the last four years the survey side of the Department has been increased more than four times from 159 in 1978-79 to 667 in 1982-83. The Committee would like the Central Board of Direct Taxes to take effective steps/measures to see that large scale evasion of income-tax taking place at present, particularly in the higher slabs of income is prevented.

5.6 The Committee find that as a measure to simplify the procedures, the institution of Inspecting Assistant Commissioner (Assessment) has been created with effect from October 1978 with a view to utilising the experience gained by senior officers on making assessment in bigger and complicated cases and actively associating them in day to day progress of completion of assessments resulting in proper coordination and scrutiny. Special ranges having concurrent jurisdiction under Section 125-A of the Act have been set up. Each such range consists of one IAC (Assessment) and three senior ITOs. All assessment work in respect of cases where the returned income or the last assessed income is Rs. 5 lakhs and above is done by the IAC (Assessment) himself. There are 108 such IACs in position. Each such IAC is required to dispose of 35 main cases along with the linked cases. Further, to provide more relief to the Income-tax Officers, the Income tax Act has been amended through Finance (No. 2) Act, 1980, effective from 1st September, 1980, providing for assessment by Income-tax Inspectors. Pursuant to this amendment, functions have been assigned to Inspectors in smaller category of cases—Summary Assessment cases upto Rs. 25,000. With the same end in view, the Central Board of Direct Taxes has issued instructions on 13.5.1983 enlarging the scope of the Summary Assessments so as to cover more cases within its ambit. Now, all non-company cases (including salary assessments cases) upto a monetary limit of Rs. one lakh and company cases showing income below Rs. 10,000 and having paid-up capital below Rs. 5 lakhs will be covered under the Summary Assessment Scheme. Sub-clauses (ii) and (iii) of Section 132(1)(b) of the Income-tax Act, 1961 have been omitted where by the discretion of the ITO to make adjustments regarding certain admissible and inadmissible items has been taken away.

5.7 The Committee, however, regret to observe that despite the above reforms and measures taken by the Department to simplify the procedures, the number of pending assessments has been constantly going up in the last five years. The pendency has increased from 15.38 lakhs at the end of the year 1977-78 and 19.26 lakhs at the end of year 1978-79 to 26.61 lakhs at the end of the year 1981-82. What is more surprising is that the pendency of even Summary Assessments has been going up from year to year, the number at the end of 1980-81 being 16.76 lakhs as against 6.62 lakhs at the end of 1977-78. In company cases also, the pendency has been constantly going up. It rose from 40,563 in 1978-79 to 43,886 in 1979-80, 52,250 in 1980-81 and 55,861 in 1981-82.

5.8 From a statement furnished by the Ministry indicating the performance *vis-a-vis* the Action Plan targets in the area of assessment during the years 1978-79 to 1982-83, Committee notice that in all these years, the actual performance has been much below the Action Plan targets laid down by the Central Board of Direct Taxes. As against the Action Plan target of 75 per cent in case of Scrutiny Assessment cases in 1981-82, the achievement was 59 per cent and as against the Action Plan target of 100 per cent in case of Summary cases selected at random for scrutiny, the achievement was merely 54 per cent. In case of Summary and Salary Assessment cases in the same year, the achievement was only 68 per cent as against the Action Plan target of 85 per cent. The position in the year 1982-83 also did not show improvement. The above figures speak for themselves and the Committee need hardly comment on them.

5.9 The Ministry's explanation that the increase in the pendency of assessments is mainly due to greater addition of new cases and due to non-availability of adequate manpower resources is far from convincing. From a statement furnished by the Ministry, the Committee observe that the number of assessments completed by the Department during the years 1978-79 and 1979-80 was substantially less than in 1977-78 and even in 1980-81 the number assessments completed was a shade below that in 1977-78. This shows that arrears were not wholly due to new assessment cases but also due to deterioration in the performance of the Department. The Committee note in this connection that while the achievement of some Commissionerates exceeded the Action Plan targets, that of others fell far below targets. From this, the Committee are led to the conclusion that the performance of each individual Commissionerate

was almost wholly dependent upon the initiative, enthusiasm and dedication of individual officers. In the opinion of the Committee, the Board had failed in its duty to ensure that the performance of each Commissionerate *vis a vis* its manpower was optimal. The Committee were informed in evidence that the Board was thinking of "introducing a concept of watching the 100 top cases of each Income-tax Officer and each Assistant Commissioner. In all these cases, there will be some sort of supervision". The Committee would like the Ministry to introduce this measure.

5.10 The Committee gathered an impression that the institution of IACs (Assessment) has not so far played the meaningful role it was expected to play. Asked whether the strength of IACs (Assessment) was not too large in relation to the work to be handled, the Chairman, Central Board of Direct Taxes stated in evidence : "I can have a look into it". In a note furnished to the Committee subsequently it has been stated that "the functioning of the IACs (Assessment) has been considered in the Conferences of Commissioners of Income-tax held in 1982 and 1983" and that "the subject matter is under study." The Committee trust that the working of the institution will be examined in all its aspects and necessary corrective steps taken. The Committee would like to be informed of the decisions of the Board together with the follow-up action taken in the matter.

5.11 The Committee observe that the Summary Assessment Scheme was introduced with the avowed object of reducing workload in the Income tax Department. However, the impression which the Chairman, Central Board of Direct Taxes gave in his evidence was that the Income-tax Department has not been able to make use of the Scheme as a successful instrument of quick breakthrough in disposal of small assessment cases, as originally envisaged. In reply to a question whether as a result of the introduction of the Scheme the object of reducing the workload has been achieved, the Chairman, CBDT stated, "No, we have not achieved the same." In reply to another question, he informed the Committee that "in a summary Assessment, all that is saved is one notice or may be two notices." The Committee are shocked to learn this. In their opinion, had the Summary Assessment Scheme been implemented in its proper spirit and its scope enlarged with the needs of changing times, the Department would not have been facing the problem of pendency to the extent it is facing at present. As already mentioned, the

Central Board of Direct Taxes has, in May 1983, issued instructions greatly enlarging the scope of the Summary Assessment Scheme. The Committee trust that this will result in substantial reduction in pendency of assessments. They also trust that the Board will keep the matter under constant review and take whatever steps are necessary to further simplify the procedure so that minimum possible time is spent on summary assessment cases and the manpower thus released is utilised for scrutiny of large revenue cases.

5.12 During their visit, to Madras in June last, Study Group-I of Committee were greatly impressed with the efficient disposal of Summary Assessment cases there. The procedure had been so streamlined that an assessing officer could promptly dispose of a number of cases and pass orders on the spot. The Committee would like the Board to study the system adopted in Madras and examine the feasibility of introducing it in other Circles. The Committee would like to be informed of the action taken in the matter.

5.13 Doubts have from time to time been expressed about the possible abuse of the Summary Assessment Scheme. The Committee note that a study conducted by the Directorate of Organisation and Management Services in a few Commissioners' charges has revealed that the extent of revenue benefit as a result of conversion of Summary cases into Scrutiny cases was only marginal and that the Summary Assessment Scheme has not been misused so as to cause loss of revenue. While the Committee are glad to notice this, they would like the Board to continue with the system of random sampling to curb the tendency on the part of some assesseees to take undue advantage of the Scheme.

5.14 The Committee would further like the Board to examine the matter in all its aspects and take all necessary steps with a view to liquidation of pendency of assessments in the shortest possible time. The Committee would await the steps taken in this regard, together with the outcome, thereof.

5.15 The Committee are concerned over the rapid increase in effective tax arrears during the period 1978-79 to 1981-82. They find that the amount of arrears which was Rs. 735 crores as on 31.3.1979 rose to Rs. 977 crores as on 31.3.1982. The Committee are amazed at the extent of these arrears as over 90% of the tax collections are made up of pre-assessment collections i.e. taxes paid by the assesseees on their

own and only less than 10% of the tax is to be collected by way of regular assessments. The Committee are disappointed to note that as against the moderate Action Plan target of 55% in regard to collection of Income-tax arrear demand, the achievement during the period 1979-80 to 1982-83 has ranged between 38 to 43.20 per cent. The Committee desire that the Ministry should examine this aspect in depth and take effective steps with a view to reduce the tax arrears to the barest minimum. The Committee would like to be apprised of the precise action taken in this regard, together with its outcome.

5.16 The Committee would like the Ministry to examine whether the huge tax arrears are not inter alia due to payments of tax made by the Assesseees not having been duly adjusted. The Committee would also like the Board to examine the feasibility of computerising the system.

5.17 The Committee find that several administrative steps have been taken by the Ministry to accelerate the pace of recovery, namely monitoring of the monthly progress of recovery of arrears by the Central Board of Direct Taxes, keeping a close watch by the Director of Recovery on the progress of tax arrears particularly in cases above Rs. 10 lakhs and supervision by commissioners over the progress of disposal of huge demand appeals with tax arrears of Rs. 1 lakh and above. Instructions have also been issued to Commissioners to watch each important event in the first top hundred cases in their Charge. The recovery machinery has also been strengthened by the addition of five Commissioners of Income-tax (Recovery) to supervise the working of the Tax Recovery officers. The Committee would like to watch the outcome of these steps. The Committee would however, like to observe that mere issue of instructions by the Board will not serve the purpose and what is important is to ensure that the instructions issued by it are fully implemented by the lower formations in letter and spirit.

5.18 The Committee are surprised to find that no review of the efficacy of Tax Recovery machinery has been conducted by the Board so far. The Committee strongly recommend that the Government should conduct a comprehensive study of the working of the recovery side particularly the efficiency of the Tax Recovery officers and also examine how far the objects with a separate organisation for recovery with five Commissioners has been set up, has been achieved. The action taken in this regard may be intimated to the Committee.

5.19 The Committee find from para 1.11.8 of the Audit Report that in 46 Tax Recovery Office in West Bengal, recoveries of Rs. 59.06 crores were lying without any action for want of particulars from the Income-tax officers. Similarly in 69 Tax Recovery Offices in Bombay and Pune Charges, recovery proceedings in respect of arrears of Rs. 15.44 crores could not be pursued for want of particulars from Income-tax officers. The Committee are shocked at the extent of lack of coordination between two wings of the same Department. The Committee desire to know the total amount of revenue in the country where recovery was held up for want of proper coordination between the Income-tax officers and Tax recovery officers. The Ministry have not been able to give this figure. They have, however, stated that necessary instructions have been issued by them for streamlining and toning up of the machinery of collection of arrears of tax and also for effecting proper coordination and supervision of recovery work. The Committee take a serious view of the lapse and urge Government to ensure that proper coordination is effected and maintained between Income-tax Officers and Tax Recovery Officers. They would also like to know the total amount of revenue in the country where recovery was held up for want of proper coordination.

5.20 The Committee take a serious view of the heavy pendency of appeals. They observe that pendency of appeals has gone up from 2.22 lakhs at the end of 1977-78 and 3.50 lakhs at the end of 1979-80 and 3.60 lakhs at the end of 1980-81. During 1981-82 there has been a marginal decline to 3.53 lakhs. The above increase is particularly regrettable in view of the fact that during the last few years, the appellate machinery has been considerably strengthened.

As many as 101 posts of Commissioner and 60 posts of Assistant Commissioner have been added in the last few years. The explanation given by the Ministry that the increase in the pendency of appeals is mainly due to increase in the scrutiny assessment cases i.e. from 19.3 lakhs to 20.78 lakhs does not carry conviction.

5.21 The position regarding pendency of appeals before the Commissioners of Income tax (Appeals) is even more depressing. They find that the number of pending appeals which was 46950 at the end of 1979-80 rose to 54143 at the end of 1980-81 and 62853 at the end of 1981-82. The number of Commissioners (Appeals) has increased from 69 to 101 in 1981-82. The quota of disposal fixed for Commissioners (Appeals) is 70 appeals per month for mofussil charges, 60 appeals per

month in metropolitan charges and 30 appeals for central charges. The actual performance of Commissioners has fallen far below the targets. In fact the number of appeals disposed of per C.I.T. has been continuously going down. The number of such appeals disposed of per CIT was 536 in 1979-80, 510 in 1980-81 and 482 in 1982-83. The Chairman, CBDT conceded in evidence that number of appeals disposed was not commensurate with increase in number of Commissioners. Similarly, posts of Appellate Assistant Commissioners have been increased by 36 in November, 1980 and further by 24 in September 1981. The quota fixed for them is 165 appeals in mofussil charges and 150 appeals in metropolitan cities. The average disposal of the AACs is also not as per quota fixed for them. The Committee are informed that 102 Commissioners (Appeal) have been in position in November, 1981 and the institution of appeal is being controlled and their disposal is being increased. The full effect of the increase in the strength of AAC/CIT(A) will be felt in coming years. The Committee would like to watch the outcome in due course. The Committee also stress that the Ministry should have a close supervision on the actual performance of AAC/CIT(A) so as to ensure that the quota fixed for their disposal is fully achieved.

5.22 The Ministry have in a note stated that proposals are under consideration for giving power to Cs IT (Appeals) and AACs to dispose of appeals on the basis of written submissions without necessarily calling the assesseees for hearing. The Committee would like the Ministry to examine the proposal and finalise it expeditiously.

5.23 The Committee are further informed that repetitive appeals are filed before the AAC/CIT(A) in respect of issues which are pending before the High Courts and Supreme Court. The Committee recommend that the Ministry should examine the feasibility of establishing Central Tax Courts, as recommended by the Chokshi Committee (pages 173-175) of their Report of September, 1978).

5.24 The Committee are given to understand that Section 257 of the Income-tax Act provides that department could by pass High Courts and approach Supreme Court for decision in certain circumstances. The Committee would like to know the number of cases wherein the department have made use of this provision to obtain expeditious decision in controversial matters.

5.25 The Appellate Assistant Commissioners and Commissioners (Appeals) and Appellate Tribunal are departmental quasi-judicial authorities. The Committee feel that unless a time limit is fixed for their decision, the tendency is for the arrears to get accumulated. The Committee would like the Ministry to examine this aspect and fix a time limit for decision by these authorities.

5.26 Similarly a time limit is necessary for disposal of revision petitions filed before the Commissioners of Income-tax.

5.27 It is learnt that Action Plan targets are fixed by the Central Board of Direct Taxes in consultation with the Commissioners of Income-tax. This exercise is done after taking into account the actual performance in the preceding three years, the arrears and current work-load and available manpower. The targets are so set that there is an element of challenge in regard to their achievement. While some of the Commissioners are able to achieve and exceed the target laid down, some others are not able to do so. The reasons given are that the arrears pertaining to past years form a hard core. The monitoring of implementation of the Action Plan is carried out by the Directorate of O & M services by calling for quarterly Control Statements from the Commissioner. Commissioners who lag far behind the target fixed are being asked to look into the matter and take steps to improve the performance. The Committee need hardly point out that Ministry should have a closer watch on the performance of the department so as to ensure that targets fixed in the Action Plan are invariably achieved in all areas and also analyse the reasons for the shortfall in certain Commissioners' charges and take corrective steps wherever necessary to improve the overall performance.

5.28 The Committee note that the question of tax administration and its rationalisation and improvement has been referred to the Economic Administrative Reforms Commission and decision would be taken on their recommendation as and when received. The Committee would like to watch the outcome in due course.

NEW DELHI
27 April, 1984

7 Vaisakha, 1906 (Saka)

SUNIL MAITRA,
Chairman,
Public Accounts Committee.

APPENDIX I

(Vide Para 9 of Introduction)

Summary of Conclusions and/or Recommendations

Sl. No	Para No.	Ministry/Deptt.	Recommendation
1	2	3	4
1.	5.1	Ministry of Finance (Deptt. of Revenue)	The Committee note that during the five years from 1977-78 to 1981-82, the cost of collection of direct taxes has gone up from Rs. 46.07 crores to Rs 73.91 crores. The cost of collection for the year 1982-83 is stated to be Rs. 78.66 crores (provisional). The Collection of tax revenue has also increased from Rs. 2289.90 crores in 1977-78 to Rs. 5551.63 crores in 1981-82. The gross collection for the year 1982-83 is Rs. 3900.48 crores as reported by the Ministry of Finance (Department of Revenue). With the increase of tax revenues during these years, the cost of collection per hundred crores of revenue should have come down. In the case of indirect taxes,

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the cost of collection per hundred crores of revenue has come down by 24 per cent during the period 1977-78 to 1981-82, whereas in the case of direct taxes the cost of per hundred crores of revenue has actually gone up by 3 per cent. This is a cause for concern. As the Committee find, the expenditure on collection of direct taxes, as a percentage of the total tax yield had come down during the period 1977-78 to 1979-80 having reached 1.87 per cent during 1979-80, thereafter it has gone up.

2. 5.2

Ministry of Finance
(Deptt. of Revenue)

The relatively high cost of collection of direct taxes will be more conspicuous on a deeper analysis of the data relating to the work of the Income-tax Department. As the Committee observe, over 90 per cent of the collections of taxes on income (including the Corporation Tax) are made up of pre-assessment collections, *i. e.* taxes paid by the assessee on their own either by way of deduction at source or advance payment of tax or payment of tax on self-assessment. The tax recovered on regular assessment is under 10 per cent of the gross collections. Thus, as against

the total gross collections of Rs. 3794 crores on account of taxes on income (including the Corporation Tax) for the year 1981-82, only Rs. 327 crores related to post-assessment collections. As the functions devolving on the officers of the Department in respect of pre-assessment collections, by and large, comprise linking of such payments and crediting the same to the tax-payers in their final assessment, the expenditure of Rs. 73.91 crores on the collection of the above taxes can be said to be mainly relatable to post assessment collections which amounted to only Rs. 327 crores in 1981-82. The Committee are not fully satisfied with the explanation of the Ministry that the increase in cost of collection is inevitable as 80 per cent of the expenditure is on salaries. The Committee feel that with determined efforts on the part of the Department together with further streamlining of procedures and greater attention to bigger cases, the expenditure on collection of direct taxes as a percentage of total tax yield can be brought down considerably. The Committee would like the Ministry to make all endeavours to this end.

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3	5.3	Ministry of Finance (Deptt. of Revenue)	Over the years, there has been increase in the strength of staff and attempts have been made simplify and streamline the procedures, in order to save manpower for re-deployment in more crucial areas of work.
4	5.4	-do-	As regards the strengthening of the Income-tax Department for better tax administration, the Committee find that in the last five years, <i>i.e.</i> from 1978-79 to 1982-83 the strength in the cadres of Commissioners, Inspecting Assistant Commissioners, Income-tax Officers and Income-tax Inspectors has been increased from 7891 (1978-79) to 8504 (1982-83). Save areas of 'recovery' and 'Acquisition' there is a considerable increase in strength in all the areas such as 'General Administration', 'Assessment', 'Appeals' and 'Survey'. The number of Commissioners of Income-tax has gone up by 138, that of Inspecting Assistant Commissioners/Appellate Assistant Commissioners by 115 and Income-tax Officers by 286. In addition, in the lower cadres, over 2500 post of Inspectors, Tax Assistants, UDCs, LDCs have been added. In spite of these increases the Committee regret to observe that the position in three vital areas of work of the Department—assessments, collec-

tions and appeals, has not shown any improvement. The Committee would like the Ministry of Finance to conduct a study as to how far the heavy expenditure on the increased strength has served its purpose and if the results have not been as expected, what are the reasons therefor and what remedial measures ought to be taken to improve the position.

5 5.5 Ministry of Finance
(Deptt. of Revenue)

The Committee are surprised to find that the number of individual assesseees with a returned income of above Rs. 5 lakhs shown on the records of the Income-tax Department was only 900 as on 31.3.1982. What is more surprising is that even this number has come down to 599 as on 31.3.1983. The Committee find it difficult to believe that the number of individual assesseees with an income of over Rs. 5 lakhs could be only 599 in the whole country. In their opinion, it is just indicative of the ineffectiveness of the Income-tax Department to prevent large scale evasion in the higher slabs of income. The picture becomes all the more disappointing when it is seen that in the last four years the survey side of the Department has been increased more than four times from 159 in 1978-79 to 667 in 1982-83. The Committee would like the Central Board

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of Direct Taxes to take effective steps/measures to see that large scale evasion of income-tax taking place at present, particularly in the higher slabs of income is prevented.

6 5.6 Ministry of Finance
(Deptt of Revenue)

The Committee find that as a measure to simplify the procedures, the institution of Inspecting Assistant Commissioner (Assessment) has been created with effect from October 1978 with a view to utilising the experience gained by senior officers on making assessment in bigger and complicated cases and actively associating them in day to day progress of completion of assessments resulting in proper coordination and scrutiny. Special ranges having concurrent jurisdiction under Section 125-A of the Act have been set up. Each such range consists of one IAC (Assessment) and three senior ITOs. All assessment work in respect of cases where the returned income or the last assessed income is Rs. 5 lakhs and above is done by the IAC (Assessment) himself.

There are 108 such IACs in position. Each such IAC is required to dispose of 35 main cases alongwith the linked cases. Further, to provide relief to the Income-tax

Officers, the Income-tax Act has been amended through Finance (No. 2) Act, 1980, effective from 1st September, 1980, providing for assessment by Income-tax Inspectors. Pursuant to this amendment, functions have been assigned to Inspectors in smaller category of cases—Summary Assessment cases upto Rs. 25,000. With the same end in view the Central Board of Direct Taxes has issued instructions on 13.5.1983 enlarging the scope of the Summary Assessment so as to cover more cases within its ambit. Now, all non-company cases (including salary assessments cases) upto a monetary limit of Rs. One lakh and company cases showing income below Rs. 10,000 and having paid-up capital below Rs. 5 lakhs will be covered under the Summary Assessment Scheme. Sub-clauses (ii) and (iii) of section 132(1)(b) of the the Income-tax Act, 1961 have been omitted whereby the discretion of the ITO to make adjustments regarding certain admissible and inadmissible items has been taken away.

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The Committee, however, regret to observe that despite the above reforms and measures taken by the Department to simplify the procedures, the number of pending assessments has been constantly going up in the last five

years. The pendency has increased from 15.38 lakhs at the end of the year 1977-78 and 19.26 lakhs at the end of the years 1978-79 to 26.61 lakhs at the end of the year 1981-82. What is more surprising is that the pendency of even Summary Assessments has been going up from year to year, the number at the end of 1980-81 being 16.76 lakhs as against 6.62 lakhs at the end of 1977-78. In Company cases also, the pendency has been constantly going up. It rose from 40,563 in 1978-79 to 43,886 in 1979-80, 52,250 in 1980-81 and 55,861 in 1981-82.

8 5.8 Ministry of Finance
(Deptt. of Revenue)

From a statement furnished by the Ministry indicating the performance vis-a-vis the Action Plan targets in the area of assessment during the years 1978-79 to 1982-83, the Committee notice that in all these years, the actual performance has been much below the Action Plan targets laid down by the Central Board of Direct Taxes. As he against the Action Plan target of 75 per cent in case of Scrutiny Assessment cases in 1981-82, the achievement was 59 per cent and as against the Action Plan target of 100 per cent in case of Summary cases selected at random for

scrutiny, the achievement was merely 54 per cent. In case of Summary and Salary Assessment cases in the same year, the achievement was only 68 per cent as against the Action Plan target of 85 per cent. The position in the year 1982-83 also did not show improvement. The above figures speak for themselves and the Committee need hardly comment on them.

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The Ministry's explanation that the increase in the pendency of assessments is mainly due to greater addition of new cases and due to non-availability of adequate manpower resources is far from convincing. From a statement furnished by the Ministry, the Committee observe that the number of assessments completed by the Department during the years 1978-79 and 1979-80 was substantially less than in 1977-78 and even in 1980-81 the number of assessments completed was a shade below that in 1977-78. This shows that arrears were not wholly due to new assessment cases but also due to deterioration in the performance of the Department. The Committee note in this connection that while the achievement of some Commissionerates exceeded the Action Plan targets, that of others fell far below the targets. From this, the Committee are

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led to the conclusion that the performance of each individual Commissionerate was almost wholly dependent upon the initiative, enthusiasm and dedication of individual officers. In the opinion of the Committee, the Board had failed in its duty to ensure that the performance of each Commissionerate vis-a-vis its manpower was optimal. The Committee were informed in evidence that the Board was thinking of "introducing a concept of watching the 100 top cases of each Income-tax Officer and each Assistant Commissioner. In all these cases, there will be some sort of supervision". The Committee would like the Ministry to introduce this measure.

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10 5.10 Ministry of Finance
(Deptt. of Revenue)

The Committee gathered an impression that the institution of IACs (Assessment) has not so far played the meaningful role it was expected to play. Asked whether the strength of IACs (Assessment) was not too large in relation to the work to be handled, the Chairman, Central Board of Direct Taxes stated in evidence: "I can have a look into it". In a note furnished to the Committee subsequently it has been stated that "the

functioning of the IACs (Assessment) has been considered in the Conferences of Commissioners of Income-tax held in 1982 and 1983" and that "the subject matter is under study." The Committee trust that the working of the institution will be examined in all its aspects and necessary corrective steps taken. The Committee would like to be informed of the decisions of the Board together with the follow-up action taken in the matter.

11 5.11

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The Committee observe that the Summary Assessment Scheme was introduced with the avowed object of reducing workload in the Income-tax Department. However, the impression which the Chairman, Central Board of Direct Taxes gave in his evidence was that the Income-tax Department has not been able to make use of the Scheme as a successful instrument of quick breakthrough in disposal of small assessment cases, as originally envisaged. In reply to a question whether as a result of the introduction of the Scheme the object of reducing the workload has been achieved, the Chairman, CBDT stated, "No, we have not achieved the same." In reply to another question, he informed the Committee that "in a Summary Assessment, all that is saved is one notice or

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may be two notices." The Committee are shocked to learn this. In their opinion, had the Summary Assessment Scheme been implemented in its proper spirit and its scope enlarged with the needs of changing times, the Department would not have been facing the problem of pendency to the extent it is facing at present. As already mentioned, the Central Board of Direct Taxes has, in May 1983, issued instructions greatly enlarging the scope of the Summary Assessment Scheme. The Committee trust that this will result in substantial reduction in pendency of assessments. They also trust that the Board will keep the matter under constant review and take whatever steps are necessary to further simplify the procedure so that minimum possible time is spent on Summary assessment cases and the manpower thus released is utilised for selecting of large revenue cases.

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12 5.12 Ministry of Finance
(Deptt. of Revenue)

During their visit to Madras in June last, Study Group-I of the Committee were greatly impressed with the efficient disposal of Summary Assessment cases there.

The procedure had been so streamlined that an assessing officer could promptly dispose of a number of cases and pass orders on the spot. The Committee would like the Board to study the system adopted in Madras and examine the feasibility of introducing it in other Circles. The Committee would like to be informed of the action taken in the matter.

13 5.13

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Doubts have from time to time been expressed about the possible abuse of the Summary Assessment Scheme. The Committee note that a study conducted by the Directorate of Organisation and Management Services in a few Commissioners' charges has revealed that the extent of revenue benefit as a result of conversion of Summary cases into Scrutiny cases was only marginal and that the Summary Assessment Scheme has not been misused so as to cause loss of revenue. While the Committee are glad to notice this, they would like the Board to continue with the system of random sampling to curb the tendency on the part of some assesseees to take undue advantage of the Scheme.

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The Committee would further like the Board to examine the matter in all its aspects and take all necessary

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steps with a view to liquidation of pendency of assessments in the shortest possible time. The Committee would await the steps taken in this regard, together with the outcome, thereof.

15 5.15 Ministry of Finance
(Deptt. of Revenue)

The Committee are concerned over the rapid increase in effective tax arrears during the period 1978-79 to 1981-82. They find that the amount of arrears which was Rs. 735 crores as on 31-3-1979 rose to Rs. 977 crores as on 31-3-1982. The Committee are amazed at the extent of these arrears as over 90% of the tax collections are made up of pre-assessment collections, i.e. taxes paid by the assesseees on their own and only less than 10% of the tax is to be collected by way of regular assessments. The Committee are dis-appointed to note that as against the moderate Action Plan target of 55% in regard to collection of Income-tax arrears demand, the achievement during the period 1979-80 to 1982-83 has ranged between 38 to 43.20 per cent. The Committee desire that the Ministry should examine this aspect in depth and take effective steps with a view to reduce the tax arrears to the barest minimum. The Committee would like to be

apprised of the precise action taken in this regard, together with its outcome.

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The Committee would like the Ministry to examine whether the huge tax arrears are not *inter alia* due to payments of tax made by the Assesseees not having been duly adjusted. The Committee would also like the Board to examine the feasibility of computerising the system.

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The Committee find that several administrative steps have been taken by the Ministry to accelerate the pace of recovery, namely monitoring of the monthly progress of recovery of arrears by the Central Board of Direct Taxes, keeping a close watch by the Director of Recovery on the progress of tax arrears particularly in cases above Rs. 10 lakhs and supervision by commissioners over the progress of disposal of huge demand appeals with tax arrears of Rs. 1 lakhs and above. Instructions have also been issued to Commissioners to watch each important event in the first top hundred cases in their Charge. The recovery machinery has also been strengthened by the addition of five Commissioners of Income-tax (Recovery) to supervise the working of the

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Tax Recovery officers. The Committee would like to watch the outcome of these steps. The Committee would, however, like to observe that mere issue of instructions by the Board will not serve the purpose and what is important is to ensure that the instructions issued by it are fully implemented by the lower formations in letter and spirit.

18 5.18

Ministry of Finance
(Deptt. of Revenue)

The Committee are surprised to find that no review of the efficacy of Tax Recovery machinery has been conducted by the Board so far. The Committee strongly recommend that the Government should conduct a comprehensive study of the working of the recovery side particularly the efficiency of the Tax Recovery officers and also examine how far the objects with which a separate organisation for recovery with five Commissioners has been set up has been achieved. The action taken in this regard may be intimated to the Committee.

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The Committee find from para 1.11.8 of the Audit Report that in 46 Tax Recovery Office in West Bengal,

recoveries of Rs. 59.06 crores were lying without any action for want of particulars from the Income-tax Officers. Similarly in 69 Tax Recovery Offices in Bombay and Pune Charges, recovery proceedings in respect of arrears of Rs. 15.44 crores could not be pursued for want of particulars from Income-tax officers. The Committee are shocked at the extent of lack of coordination between two wings of the same Department. The Committee desire to know the total amount of revenue in the country where recovery was held up for want of proper coordination between the Income-tax officers and Tax Recovery Officers. The Ministry have not been able to give this figure. They have, however, stated that necessary instructions have been issued by them for streamlining and toning up of the machinery of collection of arrears of tax and also for effecting proper coordination and supervision of recovery work. The Committee take a serious view of the lapse and urge Government to ensure that proper coordination is effected and maintained between Income-tax Officers and Tax Recovery Officers. They would also like to know the total amount of revenue in the country where recovery was held up for want of proper coordination.

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20	5.20	Ministry of Finance (Deptt. of Revenue)	The Committee take a serious view of the heavy pendency of appeals. They observe that pendency of appeals has gone up from 2.22 lakhs at the end of 1977-78 and 3.50 lakhs at the end of 1979-80 and 3 60 lakhs at the end of 1980-81. During 1981-82 there has been a marginal decline to 3.53 lakhs. The above increase is particularly regrettable in view of the fact that during the last few years, the appellate machinery has been considerably strengthened. As many as 101 posts of Commissioner and 60 posts of Assistant Commissioner have been added in the last few years. The explanation given by the Ministry that the increase in the pendency of appeals is mainly due to increase in the scrutiny assessment cases i.e. from 19.3 lakhs to 20.78 lakhs does not carry conviction.
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			on the actual performance of AAC/CIT(A) so as to ensure that the quota fixed for their disposal is fully achieved.
22.	5.22	Ministry of Finance (Deptt. of Revenue)	The Ministry have in a note stated that proposals are under consideration for giving power to CSIT (Appeals) and AACs to dispose of appeals on the basis of written submissions without necessarily calling the assesses for hearing. The Committee would like the Ministry to examine the proposal and finalise it expeditiously.
23	5.23	-do-	The Committee are further informed that repetitive appeals are filed before the AAC/CIT(A) in respect of issues which are pending before the High Courts and Supreme Court. The Committee recommended that the Ministry should examine the feasibility of establishing Central Tax Courts, as recommended by the Chokshi Committee (pages 173-175) of their Report of September, 1978).
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(Deptt. of Revenue)

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27 5.27 -do-

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Commissioners of Income-tax. This exercise is done after taking into account the actual performance in the preceding three years, the arrears and current work-load and available manpower. The targets are so set that there is an element of challenge in regard to their achievement. While some of the Commissioners are able to achieve and exceed the target laid down, some others are not able to do so. The reasons given are that the arrears pertaining to past years form a hard core. The monitoring of implementation of the Action Plan is carried out by the Directorate of O & M services by calling or quarterly Control Statements from the Commissioners. Commissioners who lag far behind the target fixed are being asked to look into the matter and take steps to improve the performance. The Committee need hardly point out that the Ministry should have a closer watch on the performance of the department so as to ensure that targets fixed in the Action Plan are invariably achieved in all areas and also analyse the reasons for the shortfall in certain Commissioners' charges and take corrective steps wherever necessary to improve the overall performance.

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Ministry of Finance
(Deptt. of Revenue)

The Committee note that the question of tax administration and its rationalisation and improvement has been referred to the Economic Administrative Refoms Commission and decision would be taken on their recommendation as and when received. The Committee would like to watch the outcome in due course.

APPENDIX II

(Page 6)

Statement showing the net cost of Collection on Various Taxes

	1978-79*	1979-80*	1980-81	1981-82	1982-83
1. Cost of collection Income tax	39,76,44,628	41,48,22,106	47,49,73,498	53,47,98,008	63,16,39,252
2. Cost of collection of Corporation Tax	5,68,06,376	5,92,60,301	6,78,53,357	7,63,99,716	9,02,34,179
3. Cost of Collection of Estate Duty	1,00,98,911	1,05,35,165	1,20,62,819	1,35,82,172	1,60,41,632
4. Cost of collection of Wealth Tax	3,53,46,189	3,68,73,076	4,22,19,867	4,75,37,600	5,61,45,711
5. Cost of collection of Gift Tax	50,49,456	52,67,582	60,31,409	67,91,086	80,20,816

* C & AG's Report for the year 1979-80
Para 1.05, page 5.

APPENDIX III

(Page 7)

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Department of Revenue)**

The collection made by way of Advance-tax, tax deducted at source, and self-assessment are considered to be pre-assessment collections. The duties of the different Assessing functionaries in respect of above three items are indicated below :—

Advance-tax

Certain changes in the law relating to advance-tax were introduced by the Finance Act, 1978 with effect from 1.6.1978. Before the introduction of these changes, the taxpayers were required to pay advance-tax only on receipt of order (notice of demand) in this behalf from the Income-tax Officer. Due to the changes in law introduced by the Finance Act, 1978 with effect from 1.6.1978, every existing taxpayer liable to advance-tax which was previously being assessed to income-tax by the Income-tax Department is now required to file on his own a statement of advance-tax payable by him. The advance tax is to be collected on the basis of the total income of the latest previous year in respect of which the taxpayer has been assessed or the total income of a later year on the basis of which the taxpayer has paid tax on self-assessment if such total income is higher. However, if a taxpayer estimates that his current income is likely to be less than the total income on the basis of which statement of advance-tax is to be furnished by him or for some reasons the amount of advance-tax payable by him would be less than that payable on the basis of a statement, he may send to the Income-tax Officer in lieu of statement an estimate of the current income and advance-tax payable thereon in the prescribed form No. 29 and deposit the advance-tax accordingly.

Taxpayers who have not been previously assessed under the income-tax Act have to send, as in the past, an estimate of the current income on the advance-tax payable by them in Form No. 29 and pay the advance-tax accordingly.

The I.T.O. is required to issue notices under section 210(1) in those cases in which the existing assesseees have not filed the statements/estimates as required by section 209A. For this purpose, the I.T.O. is required to prepare at the beginning of a year a complete list of all assesseees who are liable to advance-tax. This register is to be up-dated periodically with reference to subsequent assessments which might be completed in the course of a year. The I.T.O. is also to ensure that the statement/estimate received from the assesseees are accounted for properly and entered in the demand and collection register without any omission and within a week of their receipt. He is also required to check the statements/estimates in all cases where the total income is Rs. 25,000/- or more to ensure that the total income and the tax thereon have been correctly declared. If the checking discloses mistakes involving additional tax of Rs. 1000/- or more, the Income-tax Officer is required to bring the mistake to the notice of the assessee and request him to amend the statement/estimate and pay the additional tax due. The I.T.O. has also been delegated the power to reduce or waive interest payable under section 215 or section 217 of the Income-tax Act subject to the conditions mentioned in Rule 40 of the Income-tax Rule.

Tax deducted at source :

At present, the tax is required to be collected at source from the following payments :

- (i) Income chargeable under the head "salaries" ;
- (ii) interest on securities ;
- (iii) dividends ;
- (iv) interest other than "interest on securities" ;
- (v) winnings from lottery or crossword puzzle ;
- (vi) winnings from horse races ;
- (vii) payments to contractors and sub-contractors ; and
- (viii) insurance commission.

Apart from the above the deduction of tax is also made from other sums paid to the non-residents u/s 195 of the Income-tax Act.

The deduction of income-tax at source approximately account for 25% of the total collection of income-tax and corporation-tax. Of this,

collection from salaries alone works out to 9.50% (approx.). Over 45 ITOs are at present exclusively deployed for this purpose at places where salaries assessees are concentrated. The various functionaries are required to maintain/supervise—

- (a) check annual salary returns ;
- (b) effect recovery of short payments and/or short deductions ;
- (c) process cases of defaults for prosecution, etc ; and
- (d) check returns and statements relating to Tax Deduction at Source from other payments if required by the Commissioner concerned.

The returns and statements which are required to be scrutinised are as prescribed in part IV of the Income-tax Rules, 1962.

The collection of tax at source from other items is assigned to the respective ITOs having jurisdiction over the assesseees for similar action.

They are also required to perform certain non-statutory functions like maintenance of registers of persons liable to deduct tax at source, Daily collection Register, sending statistical reports relating to TDS, liaison with outside agencies for discovering new deductors and bringing cases of defaults to the notice of the ITOs having jurisdiction over the persons responsible for making the payment for necessary action.

Apart from the above, they are assigned the duty of issuing certificate for deduction of income-tax at a lower rate or no deduction of income-tax as provided in various sections contained in Chapter XVII of the Income-tax Act.

The collections from "interest on securities" payments to the contractors/sub-contractors and dividend approximately contribute 4.5%, 3.5% and 3% respectively to the total collection.

Self-Assessment :

Every assessee is required under sub-section 1(1) of Section 140A of the Income-tax Act, 1961 to pay the tax dues on the basis of return of income. Instructions have been issued by the Board that the returns of

income in Company cases with returned income of Rs. 5,000 or more and non-company cases only those earmarked for scrutiny assessment should be scrutinised with a view to see that the tax of self-assessment has been duly paid. Cases where the self-assessment tax has not been paid or the amount paid was less than what was due to be paid should be followed up by issue of show-cause notices for the levy of penalty. In order to have a control over the progress of this work, the Commissioners of Income-tax have to get certificate from the Income-tax Officers that all cases of the type referred to above are scrutinised and appropriate action taken.

F. No. 240/8/83-A & PAC—I

F. No. 385/40/83-IT (B)

APPENDIX IV

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GOVERNMENT OF INDIA MINISTRY OF FINANCE (Department of Revenue)

Pre-assessment Stage :

At this stage, a vast number of jobs are to be undertaken which, *inter alia*, include :—

- (a) Preparation of the Income-tax Officer's Register, known as the Blue-book, and the General Index Register, penalty registers and other prescribed registers.
- (b) Work relating to advance tax. This includes handling of the statements of advance tax filed by the assessee, entering them in the appropriate register and scrutinising them. In appropriate cases, notices calling for the advance tax statements have to be issued, upward revisions to be done, wherever necessary, and payment of advance tax to be watched and follow-up action taken.
- (c) Returns of income received voluntarily have to be entered in the appropriate register and are scrutinised for the purposes of self-assessment tax. In this connection, the procedure laid down for receipt of returns have to be followed. In appropriate cases, where returns under section 139(1) have not been filed, notices under section 139(2) have to be issued and follow-up action to be watched.
- (d) Where a return has been filed under section 139 of the Income Tax Act, and the assessee claims that the tax paid exceeds the tax payable on the basis of the return and the return and the accounts and documents accompanying it, a provisional assessment under section 141A is to be made and refund granted in order to prevent available payment of interest at a later stage.

- (e) Applications received under section 139A of the Income Tax Act for allotment of Permanent Account Numbers have to be processed, numbers to be allotted and the same communicated to the assesseees.
- (f) Appropriate actions have to be taken under the Wealth Tax Act and the Gift Tax Act also.

Assessment stage :

Broadly speaking, the following works, amongst others, are to be undertaken at the assessment stage :—

- (a) Returns, which have been received, have to be scrutinised to find out where the case falls in the scrutiny basket or in the summary basket in accordance with the guidelines laid down for this purpose.
- (b) In cases falling under the summary assessment scheme, assessments under section 143(1) are completed and communicated to the assesseees in the prescribed form.
- (c) In scrutiny cases, a detailed questionnaire calling for information is generally issued to the assesseees after a study of the files and the returns. Notices under Section 143(2) and, in appropriate cases, under Section 142(1) have to be issued. The accounts are examined, enquiries made, and, wherever necessary, witnesses examined under section 131. After examining the material and confronting the assessee with it and obtaining his explanations, the assessment order is passed computing the total income and the tax payable/refundable thereon.
- (d) Subsequent to the passing of the assessment order under Section 143(1) or 143(3)/144, follow up action has to be taken in the shape of issue of penalty notices, wherever necessary, preparation of assessment forms in ITNS. 150, entry of these cases in the demand and Collection Register etc.
- (e) In an assessment to be completed under Section 143(3), if the proposed addition to the income returned exceeds Rs. 1 lakh, the ITO has to forward a draft of the proposed order of assessment to the I.A.C. if the additions have been objected to by

the assessee and obtain the directions of the I.A.C. under Section 144B for completion of the assessment. These directions are binding on the Income-tax Officer.

Post-assessment stage :

The main post-assessment job is in the area of collection and recovery of taxes but includes other duties as well like :—

- (i) Rectification of mistake in the computation of income as envisaged in section 154 of the Income Tax Act, 1961 ;
- (ii) Rectifications to be carried out under Section 155 of the Act.
- (iii) Collection of taxes to be watched and recovery proceedings to be initiated in appropriate cases.
- (iv) Penalties to be imposed where default is committed in the payment of taxes.
- (v) Action to be taken to give effect to appellate orders in cases where appeals have been filed and orders passed by the competent appellate authorities.
- (vi) In bigger and important cases, to appear before the appellate authorities to defend the department's case.
- (vii) To scrutinise appellate orders and recommend appeals to ITAT/ references to High Courts etc.
- (viii) In appropriate cases, recovery certificates are issued for the demands, including interest, outstanding against the assesseees.

F. No. 240/16/83-A & PAC-I

F. No. 228/41/83-ITA. II

APPENDIX V

(Page 16)

Annexure—A

F. No. 21/5/76—OD/DOMS/

DOMS CIRCULAR No. 33

**CENTRAL BOARD OF DIRECT TAXES
NEW DELHI**

Dated New Delhi, the 9th Jan., 79

To,

All Commissioners of Income-tax

Sir,

**Subject—Jurisdiction pattern of special I. A. C. Ranges set up u/s
125A of the Income-tax Act, 1961—Guidelines regarding.**

In accordance with the recommendation of the Public Accounts Committee that senior officers of the Department should be directly associated with assessment work, 87 posts of Senior Scale (Group A) ITDs were upgraded to those of Assistant Commissioners vide Department of Revenue's F. No. A—11013/57/78—Ad. VII dated 12th October, 1978. Accordingly, the Board have vide F. No. 22012/13/78—Ad. VI dated 16th October, 1978 passed orders posting some IACs in various CIT charges against the new posts sanctioned for assessment work. It is expected that some more IACs will be posted for assessment work shortly. In order to ensure uniformity and achieve desired results, the following guidelines are laid down for the constitution and working of these ranges.

Constitution of concurrent Ranges

2. Special Ranges having concurrent jurisdiction u/s 125A of the Act should be set up in the Commissioners' Charges where these I.A.Cs are posted. Each such range shall consist of one I. A. C. and three senior Income-tax officers.

The complementary staff attached to the posts of I. T. Os abolished *vide* Department of Revenue's letter dated 12-10-1978 referred to above, will now stand attached to the I. A. Cs (Assessment). Needless to mention that the IT. Os, who are IA. Cs, (Assessment) will retain the complementary staff attached to them at present.

Area of work to be handled by these Ranges

3. These Ranges will deal with the following five areas of work—

- (a) Cases having income of Rs. 5 lakhs and above;
- (b) Search and Seizure cases;
- (c) Foreign company cases;
- (d) Selected trust cases, and
- (e) Selected tax-fraud cases involving prosecution or concealment.

In view of the fact that adequate manpower at the level of I. A. C. (Assessment) is not available at present, cases relating to the above mentioned areas of work may be transferred to the I. A. Cs (Assessment) Ranges in a phased manner. Initially, however, only such groups or other cases as are identified as having potential for investigation and as fall within the above parameters may be assigned to such Ranges.

Jurisdiction pattern

4 These Ranges will be constituted on the following lines :—

- (a) The jurisdiction over all the five types of cases enumerated above will be assigned concurrently to the I. A. C. and the I. T. Os working under him.
- (b) All assessment work in respect of cases where the returned income or the last assessed income is Rs. 5 lakhs and above shall be done by the IAC himself. He shall be expected to complete all the relevant linked cases also. Linked cases include the case of directors, partners, agents, etc
- (c) Assessment work in respect of the remaining 4 categories of cases mentioned in para 3 above where the income falls below Rs. 5 lakhs shall be done by the Income-tax Officers working

in the Range under the supervision of the I. A. C. Assignment of particular cases to Income-tax Officers under him shall be made by the I. A. C. These I. T. Os. shall also be responsible for disposing of all the linked cases relevant to the main assessments completed by them.

Output targets

5. An I. A. C. should complete not less than 25 main assessments in a year plus all the relevant linked cases. Likewise, each I. T. O. working in the Special Range will be expected to dispose of not less than 25 main assessments per annum and other linked cases. In this manner, each such unit will be expected to dispose of 100 main cases in a year in addition to relevant linked cases. The disposal of all other proceedings incidental to assessment work, such as penalties, recovery, etc., would be looked after by the concerned officers. However, the C. I. T. can fix a higher disposal quota if the nature of cases assigned justifies it.

6. These guidelines should be followed by the Cs. I. T. while setting up the Special Ranges u/s 125A subject, however, to minor adjustments wherever found necessary keeping in view the peculiar circumstances of a Charge, workload statistics, etc.

7. These instructions may be brought to the notice of the concerned officers also. Compliance may please be reported by 15-2-1979.

APPENDIX VI

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ANNEXURE B
Instruction No. 1348

F. No. 201/111/80-ITA-II
GOVERNMENT OF INDIA
CENTRAL BOARD OF DIRECT TAXES

New Delhi-the 30th August, 1980.

To

All Commissioners of Income-tax.

**SUBJECT—Section 139 (9) of the Income-tax Act, 1961—Instructions—
regarding.**

Sir,

Sub-section (9) has been inserted in section 139 of the Income-tax Act, 1961 by the Finance (No. 2) Act of 1980 and comes into effect from 1st September, 1980. It lays down the procedure to be followed by the ITOs if a return of income furnished is considered defective by him.

2. Two important points are to be noted with great care in invoking section 139 (9). The first is that it will apply to returns of income filed on or after 1st September, 1980 and it cannot be invoked for returns filed before 1st September, 1980. Returns filed on or after September, 1980 for any assessment year will come within the purview of section 139 (9).

3. The second important point to be noted is that it is not incumbent or mandatory to treat a return of income as invalid even if the return is defective under any of the sub-clauses of the Explanation to section 139 (9). The provision makes a distinction between a defective return and an invalid return. A defective return is not *ipso facto* to be regarded as an invalid return. It is only when a return contains any of the Specified defect and the Income-tax Officer in *his discretion* inti-

mates the defect to the assessee and the assessee fails to rectify the same within a specified period of 15 days or such further periods as the Income-tax Officer, *on an application made in this behalf* allows, what return shall be treated as an invalid return. If it is considered that the return of income does not require any correction, amendment or validation, the assessment may be completed on the basis of the return filed.

4. The Board has decided that the function of the ITO under section 139 (9) will be exclusively carried out by inspectors of Income-tax by virtue of orders to be passed in writing by Commissioners of Income-tax under section 125 (1) (b). Draft jurisdiction order to be passed by the Commissioner is at Annexure I. Commissioners will please ensure that specific orders in writing by them or the IACs exist or are made, posting inspectors to particular Circles/Wards. The inspectors of Income-tax will for the purposes of scrutinising the return, issue of deficiency letter and getting it rectified by the assessee, function as Inspector authorised under section 125 (1) (b) and the ITO will be relieved of this function so as to enable him to make assessments.

5. Section 139 (9) envisages the issue of a deficiency letter if it is considered that a return of income is defective. The Explanation lists the defects. The first defect mentioned is that the enclosures, statements and columns in the return of income relating to computation of income chargeable under each head of income, computation of gross total income and total income have not been duly filled in. A return of income shall not be considered as defective under this clause merely because the inapplicable columns have not been filled up or against applicable columns the assessee has indicated that information as per statement is attached and the attached statement gives the relevant information. Again, clause (e) of the Explanation requires that where the accounts of the assessee have been audited, the return should be accompanied by copies of the audited profit and loss account, balance sheet and the auditor's report. The omission to enclose copies of the audited profit and loss accounts, balance sheet and the auditor's report should be treated as a defect in all cases requiring statutory audit. If the return indicates that the audit has not been completed and hence audited accounts and auditor's report could not be enclosed, the return should not be treated as defective.

6. Section 139 (9) envisages a scrutiny of the returns filed to determine whether a return is defective or not. The various administrative

measures that will have to be taken by all Commissioners of Income-tax to implement section 139 (9) are listed herein below :

- (i) Annexure to DOMS Circular No. 13 dated 3rd June, 1976 outlines in paragraphs 4.1 and 4.2 (extracts enclosed) the procedure regarding preliminary scrutiny of returns by the receipt clerk. This steps will continue to be followed with the following modifications. If the mistake is not rectified on the spot, no rejection slip will be issued by the counter-clerk. He will receive the return in such cases and issue a receipt.
- (ii) All returns will immediately be forwarded to the Income tax Inspector attached with the ITO.
- (iii) The Inspector will scrutinise the return of income and divide them into two categories. The first category will be of those which do not have any of the defects mentioned in the Explanation. The second category will be the returns which have one or more of those defects. A rubber stamp as under will be affixed on the first page of each return and duly signed (full signature) by the Inspector after striking out the inapplicable portion.

"No DEFECT U/S 139 (9)
DEFECTIVE U/S 139 (9)

Signature
Date "

- (iv) The returns falling under the first category will be processed for finalisation of assessment.
- (v) As regards the returns which are defective, the deficiency letter would be prepared in the proforma given in Annexure II. This deficiency letter will be sent under the Inspector's signature to the assessee at the address given by him in the return of income. The letter should be sent by registered post/A.D. giving a suitable date being at least 22 days from the date of issue so that it provides for time taken for service and the statutory period of 15 days.

7. The Board desires the Commissioners to report the progress in the matter of checking the returns received during September and October, 1980 in Annexure III so as to reach the Board by the 15th December, 1980.

8. Cs. I. T. will no doubt organise meetings at various levels in the Department for discussing the amendment and in particular the procedure u/s 139 (9) in the light of the above instructions.

9. This instruction deals only with the procedure for implementation of section 139 (9). Detailed instructions on the provisions of Finance (No. 2) Act, 1980 will be issued separately.

Yours faithfully,

Sd/-

(V. B. SRINIVASAN)

SECRETARY

Central Board of Direct Taxes.

Copy to :

As usual.

ANNEXURE—I

ORDER

J. No..... In exercise of the powers conferred under section 125 of the Income-tax Act, 1961 (43 of 1961), hereinafter referred to as the Act, I, Commissioner of Income tax (designation) hereby authorise all Inspectors of Income tax working under my jurisdiction to perform the functions of the Income tax Officer under section 139 sub-section (9) of the Act.

This Order shall come into force with immediate effect.

Signature.....

Designation.....

Date :.....

Extracts from DOMS Circular No. 13

4.1 One clerk at the counter will make a preliminary scrutiny to check that—

- (a) entries in the columns in the returns form relating to names, status and assessment year have been made;
- (b) the verification has been signed;
- (c) all the enclosures as listed by the assessee are available.

On being satisfied on all these counts, he will verify that the acknowledgement form has been correctly prepared, write the total number of enclosures on the form and make an endorsement "Issued acknowledgement" at the top of the from of acknowledgement and pass it on to the next counter clerk who is to issue the acknowledgement. If the enclosures are not properly fastened, the clerk should staple the do-

cuments to the return to ensure that they do not get detached later. During rush periods, more than one clerk as may be necessary should be deployed on this work

4.2 Where the return is found to be incomplete in respect of any of the aspects mentioned in 4.1 (a), (b) and (c), the deficiency may be got rectified on the spot. If, however, this is not possible, the return should be returned to the person tendering it after attaching a printed Rejection Slip, in the form indicated in Annexure V. Tick-marks will be placed against the relevant serial numbers in the slip, which will not be signed.

ANNEXURE-II

P. A. N.....

Office of the inspector of
Income Tax.
Room No... ..
Dated.....

To

Subject—Return of Income-tax for the Assessment Year.....

Sir/Madam,

I find that the return furnished by you suffers from the defects as indicated by (X) below :

1. The following annexures, statements and columns in the return of income relating to computation of income chargeable under each head of income, computation of gross total income and total income have not been duly filled in.
2. Statement showing the computation of tax on the returned income has not been furnished with the return.
3. Dividend warrants have not been attached.
4. Tax deduction certificate (s) has/have not been attached.
5. Challan (s) for payment of Advance-tax/self assessment has/have not been attached.
6. Proof for payment of compulsory deposit has not been attached.
7. (a) If regular books of accounts maintained; the following documents have not been furnished with the return.
 - (i) Copies of manufacturing account/Trading Account/Profit and Loss Account/Balance-sheet.
 - (ii) Personal Account (s) of the proprietor/Members of AOP/Members of BOI/Partners of firm.

- (iii) Your Personal account in the firm/AOP/BOI
- (iv) Audited P & L Account/Balance-sheet/Auditor's Report.
- (b) If regular books of accounts are not maintained; statement indicating the following has not been attached :
 - (i) Amount of turnover
 - (ii) Gross Receipts
 - (iii) Gross Profits
 - (iv) Expenses
 - (v) Net Profit
 - (vi) Basis on which such accounts have been computed
 - (vii) Amounts of total sundry debtors
 - (viii) Amounts of total sundry creditors
 - (ix) Stock in Trade
 - (x) Closing cash balance.

2. You are requested to remove these defects by..... If you fail to rectify the defect (s) mentioned above, the return shall be treated as an invalid return and the provisions of the I. T. Act, 1961 shall apply as if you had failed to furnish the return.

Yours faithfully,

(Signature of the Inspectors of I.T.)
 (Stamp indicating name, detailed
 address including Room No.)

ANNEXURE-III

Charge of Commissioner of Income-tax.....

No. of returns received during...	No. of deficiency letters issued during...	Out of (2) No. of returns rectified by the assesseees by 30-11-1980.
1	2	3

September October Total September October Total

CITs. comments on the working of section 139 (9)

APPENDIX VII

(Page 19)

GOVERNMENT OF INDIA MINISTRY OF FINANCE DEPARTMENT OF REVENUE

Commissioners of Income-tax and Inspecting Assistant Commissioners are top and middle level supervisory managers in the organisational set up of Income-tax Department.

2. The functions of the Commissioner of Income-tax can be broadly classified under the following four categories :—

- (1) Organisational functions ;
- (2) Personnel Management;
- (3) Technical Control ; and
- (4) Statutory functions under different Direct Taxes Acts.

The organisational functions *inter-alia* include guiding controlling and organising Income-tax Offices in Commissioner's charge, ensuring implementation of Board's instructions, ensuring fair and equitable distribution of work among the officers, periodical evaluation of work done by the Income-tax Officers and overall supervision.

The personnel management functions consist mainly of matters pertaining to transfer and posting of officers, holding of DPCs and taking disciplinary proceedings.

Main technical functions comprise of conducting surprise inspection of offices, ensuring proper coordination between Income-tax and other direct taxes and ensuring submission of proper statistical information.

The Commissioner of Income-tax performs quite a large number of of statutory functions under different direct taxes. Some of the important statutory functions are listed below :—

- (1) Judicial functions under Sections 263, 264 and 273A of Income tax Act and corresponding Sections under other Direct Taxes Acts.
- (2) Granting registration to trusts, charitable institutions.
- (3) Approval of Annuity Funds.
- (4) Granting recognition to provident gratuity and superannuation funds
- (5) According approvals under Section 131, 132(8), 151(2), 241 etc.
- (6) Work relating to second appeals before the ITAT, reference and writ petitions before the High Court and Supreme Court.
- (7) Determination of jurisdiction.

3. The functions of Inspecting Assistant Commissioner can be broadly classified under the following heads :-

- (1) Organisational functions ;
- (2) Personnel Management ;
- (3) Technical Control and
- (4) Statutory functions under different Direct Taxes Acts.

The organisational functions include guiding, controlling and organising the Income-tax Offices in the Range, periodical evaluation of work done by the Income-tax Officers overall supervision of collection, ensuring timely submission of statements, review of action plan performance and vigilance inspection of ITO's work.

The personnel management functions include transfer and posting of staff, taking part in D.P.Cs. acting as disciplinary authority and recruitment and appointment of class IV and appointment of Class III Officials (except Inspectors/Head Clerks/Supervisors).

The technical functions comprise according approval for refunds exceeding 1 lakh, checking of refunds exceeding prescribed limit, inspection of work of ITO's, keeping watch on recovery of taxes scrutiny of all

appellate orders and remand reports, writing off of irrecoverable demands upto Rs. 10,000 etc.

The I.A.C performs various statutory functions under different Direct Taxes Acts. Some of the important statutory functions have been laid down in Section 52(1), 52(2), 107, 125A, 133, 142(1), 144A, 144B and 133A of Income-tax Act. Similar functions are performed by the I.A.Cs. under other Direct Taxes also.

4. The total number of sanctioned posts of Commissioners of Income-tax and Assistant Commissioners of Income-tax and 219 and 689 respectively.

5. Out of the 219 posts of Cs. I.T., 16 are in the various Directorates of Income-tax designated as Directors (two of them are designated as Directors General). The Directorates of Income-tax are attached offices of the Central Board of Direct Taxes and have been entrusted with certain specialised and important functions so as to relieve the Board of considerable work load.

6. 102 posts are designated as Commissioners of Income-tax (Appeals) who are required to decide appeals in more important and high revenue yielding cases as provided in the Income-tax Act. The Central Board of Direct Taxes has fixed the following quota of disposal of appeals by Cs. I.T. (Appeals) :

	Quota of appeals per month
1. Cs. I.T. dealing with Central Circle appeals.	30
2. Cs. I.T. working in the five metropolitan Income-tax charges namely, Bombay, Calcutta, Madras, Ahmedabad and Delhi.	60
3. Cs. I.T. working at other places	70

The performance of the Cs. I.T. (Appeals) including the work-load, disposal and pendency of appeals with them is monitored by the D.I. (Income-tax) every month with a view to ensure that their disposal reaches the prescribed quota. The work-load with the Cs. I.T. (Appeals) *vis-a-vis* their strength was last reviewed in the Triennial Cadre

Review of I.R.S. (1980-82) made in 1980 and it was found that the number of Cs. I.T. (Appeals) (69 at that time) were not adequate to cope with the workload during 1980-82 and that it would need 50 more Cs. I.T. (Appeals). The report was considered by the Cadre Review Committee and 34 more posts of Cs. I.T. (Appeals) were created in 1981.

7. Most of the remaining 101 posts are held by Administrative Commissioners—except five Commissioners (Recovery) for recovery work and 9 Cs. I.T. (Investigation) for survey and intelligence work at big centres—and they are entrusted with the supervision and control of Inspecting Assistant Commissioners and ITOs. These administrative Cs. I.T., are entrusted with multifarious duties—judicial, technical as well as administrative. Although the work-load relating to judicial functions of the Cs. I.T. is capable of measurement in terms of the revision petitions, etc. filed, revision orders passed and the pendency of such actions, this forms only a small fraction of his duties and responsibilities. The CIT, being the head of a large field division, his main responsibility is to see that all field operations within his charge are conducted efficiently and smoothly and that the targets laid down by the Board for tax assessments, Collections etc. are achieved. The main function of the administrative Cs. I.T. is thus control and supervision of the officers in his charge. In order that the administrative Cs. I.T. can exercise effective control and supervision, the number of ITOs/IA-Cs in his charge has to be kept within appropriate limits. The Wanchoo Committee in its Final Report (Para 6.36) had recommended that Commissioner Charges should be so re-organised that each Commissioner may not have more than 40 ITOs under him. The span of control of Cs. I.T. was also reviewed in the Cadre Review of IRS(IT)—1980-82 and it was observed that the average span control of administrative Cs. I.T. (other than Cs.I.T. Central) in 1980 worked out to 42 ITOs and 8 JAG level officers (Para 4.42 on page 75 of the Report refer). It was further observed that such a large span of control was hardly conducive to an effective and efficient management. Thereafter, although the number of administrative Cs. I.T. has not increased, 5 posts of Chief Commissioners of Income-tax (Admn.) in 5 major charges of Bombay, Calcutta, Delhi, Madras and Ahmedabad were created in 1981 to relieve the administrative Cs. I.T. from some of the administration and coordination work. Nine posts of the Cs.I.T. (Investigation) and 5 posts of C.I.T. (Recovery) and 4 posts of C.I.T. (Central) were also created in 1981 with a view to improving the operational efficiency in areas of survey, intelligence and collection.

8. The largest number of I. A. Cs. (i.e. 213) function as Range IACs in charges other than Central Charges. Their main function is to supervise, control and guide the assessing I.T.Os. under them and to ensure that the targets of disposal of assessment, tax collection etc. laid down by the CIT for his range are met and that the work in his Range is conducted efficiently and smoothly. The effectiveness and efficiency of Range I.A.Cs., therefore, largely depends on the size of their span of control. The norms of the span of control of Range I.A.Cs. were fixed in 1969 on the basis of a work study conducted by the Staff Inspection Unit and they have been in force till now. Subsequently, with the passing of the Taxation Laws (Amendment) Act, 1975, it was felt that a review of the norms was necessary in view of the additional workload devolving on the Range I.A.Cs. on account of the said amendment. The Staff Inspection Unit, therefore, conducted another study relating to the span of the control of the Range I.A.Cs. and sent its report in 1983 determining the revised norms of span of control which are as under :-

No. of ITOs under each I.A.C. Range

Type of Range	Business	Mofussil	Mixed	Company	Estate Duty
(a) If FPU, LTU & Estt. work not done by IAC	14	14	13	11	8
(b) If FPU, LTU or Estt, Work done by IAC.	13	13	12	10	8
(c) If FPU, LTU and Estt. work done by IAC	12	12	11	9	7

Applying these norms of span of control it has been found that the existing number of Range IACs(213) is inadequate and their number requires to be augmented by 16 more Range I.A.Cs. Thus the Range I.A.Cs. have been found to be fully occupied.

9. 103 posts of I.A.Cs. are designated as IACs(Assessment) and they are entrusted with the assessment of important cases including, *inter-alia*, cases with income over Rs. 5 lakhs. These IACs are required

to dispose of 35 main cases alongwith all linked cases besides supervising and guiding two or three assessing ITOs who are required to dispose of 50 main cases alongwith linked cases. The performance of these I.A.Cs. (Assessment) is monitored by the respective administrative Commissioners who are also required to see that the I.A.Cs (Assessment) have sufficient workload with them.

10. 175 Assistant Commissioners are designed as Appellate Assistant Commissioners. They are required to decide appeals in cases, other than those required to be disposal of by the C. I T. (Appeals). The quota of their disposal has been fixed by the Board as under :—

(1) AACs working in metropolitan charges, viz. Ahmedabad, Bombay, Calcutta, Delhi and Madras.	...	150
(2) AACs working at other places	...	165

Their performance is monitored by the Directorate of Inspection (Income-tax) who reviews the workload, disposal and the pendency with them. The position regarding adequacy of the strength of the Appellate Assistant Commissioners *vis-a-vis* the workload was reviewed in the cadre review of I.R.S. (I.T.)—1980-82, made in 1980, and it was felt that the strength of the AACs would not be adequate for the years 1980-82 keeping in view the likely workload for those years. The report was considered by the Cadre Review Committee and 24 more posts of Appellate Assistant Commissioners were sanctioned in 1981.

F.No. 240/I6/83-A&PAC-I.

F.No. A-11019/2/84-Ad. VII.

APPENDIX VIII

(Page 25)

INSTRUCTION NO. 1509

**F. No. 201/55/82-ITA. II
Government of India
Central Board of Direct Taxes**

New Delhi, the 13-5-1983.

To

**All Commissioners of Income-tax
including Central/Investigation/Survey etc.**

Sir,

SUB :—Segregation of cases into Scrutiny and Summary—Instructions regarding—

Attention is invited to the Revised Annexure 'B' to Chairman's D.O. letter F.No. 17/1/80-00-DONS dated 23rd May, 1980 and other existing instructions of the Board laying down the criteria for segregating cases into scrutiny and summary. The Board had occasion to re-examine these criteria and it has not been decided to modify the existing instructions to the extent mentioned below :—

- (i) Instructions No. 1382 dated 9-2-81 (F.No. 201/162/80-ITA. II) are modified to the extent that all cases of salary assessments, except those with income over Rs. 1 lakh or those selected for random scrutiny, can not be completed under the Summary Assessment Scheme. The cases subjected to random selection, in accordance with the prescribed procedure, would continue to be subjected to thorough scrutiny as at present.
- (ii) Under the existing instructions, cases covered under section 44AA of the Income-tax Act, 1961 where no books of accounts are maintained, are required to be completed after scrutiny. In practices, however, it is seen that, *prima facie*, from the

return of income itself, it is not possible to ascertain whether books of accounts have been maintained or not, and therefore, there is no uniformity in the selection of cases for scrutiny under this criterion. It has, therefore, been decided that there will be no necessity to take any case out of the purview of summary assessment scheme merely because the assessee is engaged in a profession notified under section 44 AA.

- (iii) In cases of partners of a firm, it is clarified that the Summary Assessment Scheme does not envisage the treatment of cases of all the partners, who are partners in a firm having income of Rs. 1 lakh and above, as scrutiny cases. This income criterion of Rs. 1 lakh and above in the case of the partner himself should only be applied an assessment completed accordingly. This relaxations will not, however, preclude the ITO from obtaining total wealth statements in such cases of partners if this enquiry is considered necessary for proper investigation of the case of the firm itself.

2. Instructions regarding completion of assessments in new cases (whether detected in survey or on account of voluntary returns) with returned income upto Rs. 25,000/- in a summary manner have already been issued vide Instruction No. 1499 dated 22-2-1983 (F.No. 201/55/83-ITA-II).

3. Instructions regarding random selection of cases are being issued separately.

4. The updated list of types of assessments to be regarded as failure into cases needing scrutiny is given in the Annexure.

5. The above instructions may please be brought to the notice of all the officers working in your charge.

6. Hindi version will follow.

Yours faithfully,

Sd/- P. Saxena
Secretary

Central Board of Direct Taxes

Copy as usual.

ANNEXURE

Income-tax Assessments in the following types of cases are excluded from the purview of the Summary Assessment Scheme and assessments in such cases have to be made u/s 143(3) after scrutiny.

- (i) All cases assigned to I.A.C. (Assessment).
- (ii) All cases assigned to Central Circles/Film Circles/Special Investigation Circles/Special Circles. However, cases of extra artists, minor artists, persons drawing fixed amount of remuneration, partners in firms doing exhibition and distribution business, persons letting out equipment on hire etc. with income below Rs. 25,000/- assessed in film circles, should, however, be completed under the Summary Assessment Scheme.
- (iii) In a search and seizure case, all assessments upto the assessment year to which the material seized during the course of the search relates.
- (iv) Cases of suspected tax evasion selected for detailed investigation by the Income-tax Officers with the approval of the Inspecting Assistant Commissioners/Commissioners of Income-tax.
- (v) Company cases (other than summary cases i.e. those with income of Rs. 10,000/- or less or loss of Rs. 5,000/- or less and having paid up capital of Rs. 5 lakhs or less) including cases of Directors, Executives etc. of companies at present assigned to company circles and surtax cases.
- (vi) All non-company cases where the returned or assessed income in the current year or in any one year out of the preceding three assessment years, is/was Rs. 1 lakh or above.
- (vii) All income-tax cases in which the wealth returned/assessed in the current year or any one of the last three assessment years, is/was Rs. 5 lakhs or more, e.g. for the financial year 1982-83,

a case will be out of the purview of the summary assessment scheme, if the wealth returned/assessed in any of the assessment year 1983-84, 1982-83, 1981-82 and 1980-81 is Rs. 5 lakh or more.

(viii) All cases of Trusts and Charitable Institutions.

(ix) Summary cases selected for random scrutiny.

(x) All cases showing loss exceeding Rs. 25,000/-.

(xi) All cases reopened under section 147 or/and all cases where fresh assessments have to be made as a result of cancellation/setting aside of the earlier assessment under the provisions of section 146, 251 etc.

(xii) First assessment in any cases with returned income exceeding Rs. 25,000/-

(xiii) All cases where income under the head 'property' is shown for the first time or income from a new/additional property is disclosed.

(xiv) All cases where incorrect exemptions and deductions have been claimed by assessee taking advantage of deletion of sub-clause (ii) and (iii) of Section 143(1) (b) by Finance Act (No. 2) 1980. Without prejudice to the generality of this clause, broadly the following categories of cases are to be excluded from the ambit of Summary Assessment Scheme under this clause :

(a) assessee not including the income of wife or minor child, which is includible under Section 64.

(b) assessee not adding back interest payment as required u/s 40(b) of the I.T. Act.

(c) assessee not filing returns in accordance with the decision of the appellate authorities in their own case on substantial points ;

(d) cases in which departmental appeal on substantial point is pending which is having effect in subsequent years as well ;

(e) excess claims of deductions in computing Property Income.

APPENDIX IX

(Page 40)

[Particulars	Amount of demand (In crores of Rs.)	
Total amount outstanding at the end of the year	1239.33	
Less : Amount not fallen due	279.76	
	959.57	
1. Amount claimed to have been paid but pending verification/ adjustment.		9.13
2. Amount stayed/kept in abeyance—		
(a) by Courts...	19.65	
(b) u/s 245F(2)... (Application to Settlement Commission)	20.30	
(c) By Tribunal	8.92	
(d) By I.T. authorities due to—		
(i) Appeals and revisions	127.97	
(ii) DIT claims	3.55	
(iii) Restriction on remittances Section 220(7).	3.37	
(iv) Protective assessments	13.06	
(v) Pending disposal of applications u/s 273-A	0.92	
(vi) Other reasons	28.82	226.06
	226 06	

3. Amount for which instalments have been granted.	16.83
4. Amounts due from companies in liquidations.	10.39
5. Amounts due from non-company assesseees involved in insolvency proceedings.	5.69
6. Amounts due from assesseees who have left India and who have no known assets.	0.60
7. Amount due from assesseees who are not teachable and/or who have no know assets.	13.39
8. Amounts due from undertakings which have been nationalised or taken over by Government where the erstwhile owners do not have enough assets to pay tax.	2.69
9. Amounts pending consideration of scaling down petitions/write off.	2.83
10. Amounts which are not being realised for various reasons of genuine hardship.	24.24
11. Balance being the realisable amount.	647.723

APPENDIX X

(page 12)

*Action Plan Targets of different Items included in Annual Action Plan
(Excluding Central Charges)
Year 1978-79*

Sl. No.	Area of Action	Workload	Disposal	Action Plan Target	Percentage of achievement
1	2	3	4	5	6
(D) ASSESSMENTS					
1.	Company assessments with income above Rs. 25,000/-.	23,615	19,662	90%	83%
2.	Non-company scrutiny assessments with Rs. 1 lakh income.	63,712	41,648	75%	65%
3.	Summary and Salary assessments.	35,70,148	29,08,149	90%	81%
4.	Assessments in cases where searches were completed on or before 31.3.1977.	6,178	3,495	100%	57%
5.	Assessments in cases other than cases where searches were completed on or before 31.3.1977.	2,878	794	40%	28%

6. Wealth-tax assessments	7,79,490	4,65,894	60%	60%
7. Gift-tax assessments	1,01,220	79,883	60%	79%
8. Estates Duty assessments	63,214	35,598	60%	56%

(II) COLLECTION

(Figures in crores)

1. Income-tax arrear demand	893.04	401.16	55%	45%
2. Income-tax current demand	1536.72	1282.53	90%	83%
3. Wealth-tax arrear demand	52.68	20.38	40%	39%
4. Wealth-tax current demand	162.11	57.08	66%	35%
5. Gift-tax arrear demand	5.55	2.07	40%	37%
6. Gift-tax current demand	14.56	4.38	60%	30%
7. Estate Duty arrear demand	10.40	4.09	40%	39%
8. Estate Duty current demand	14.55	9.19	60%	63%

**Action Plan Targets of Different Items included in Annual Action Plan
(Excluding Central Charges)
(Year 1979-80)**

Sl. No.	Area of action	Workload	Disposal	Action Plan Target	Percentage of achievement
(I) ASSESSMENTS					
1.	Company assessment with income above Rs. 25000/-	23521	12645	75%	54%
2.	Non-company scrutiny assessments with income of Rs. 1 lakh	56601	39 36	75%	70%
3.	Assessments in cases where searches were completed on or before 31. 3. 1978	5582	2989	100%	54%
4.	Assessments in cases other than cases where searches were completed on or before 31.3.1978	4304	1267	40%	29%
5.	Assessments reopened u/s 146 pertaining to R. Y. 1970-71 & earlier years.	12923	7584	80%	59%
6.	Wealth-tax assessments	214092	93316	60%	44%
(II) COLLECTION					
(Figures in crores)					
1.	Income-tax demand	829.60	316.82	55%	39%
2.	Income-tax current demand	1808.70	1510.08	90%	84%

**Action Plan Targets of different items included in Annual Action Plan
(Excluding Central Charges)
Year 1980-81**

Years—1980-81

Sl. No.	Area of action	Workload	Disposal	Action Plan Target	Percentage of achievement
(I) ASSESSMENTS					
1.	Income-tax Scrutiny assessments	1672829	932998	65%	56%
2.	Wealth-tax assessments	403547	216390	98%	54%
(II) COLLECTIONS					
(Figures in crores)					
1.	Income-tax arrear demand	890.11	359.75	55%	40%
2.	Income-tax current demand	2214.82	1842.99	85%	83%

**Action Plan Targets of Different Items Included in Annual Action Plan
(Excluding Central Charges)
Year 1981-82**

Year-1981-82

S. No.	Area of action	Workload	Disposal	Action Plan Target	Percentage of achievement
(I) ASSESSMENTS					
1.	Income-tax scrutiny assessments	1677130	993215	75%	59%
2.	Summary cases selected at random for scrutiny	130330	69773	100%	54%
3.	Summary and Salary assessments	4818216	2111236	85%	44%
4.	Set-aside & re-opened assessments u/s 146 relating to asstt. year 70-71 & earlier years	8198	5853	100%	71%
(II) COLLECTION		(figures in crores)			
1.	Income-tax arrear demand	955.09	387.21	55%	41%
2.	Income-tax current demand	2334.25	1911.33	85%	82%
3.	Wealth-tax arrear demand	182.30	65.13	50%	36%
4.	Wealth-tax current demand	87.81	47.71	66%	54%

**Action Plan Targets of Different Items Included in Annual Action Plan
(Excluding Central Charges)
Year-1982-83**

Year-1982-83

S. No.	Area of Action	Workload	Disposal	Action Plan Target	Percentage of achievement
1	2	3	4	9	6
I. ASSESSMENTS					
1.	Company scrutiny assessments	97531	45128	60%	46.3%
2.	Out of (1) above company asstts. with returned/ last assessed income of Rs. 1 lakh and above	13333	6617	75%	49.6%
3.	Non-company scrutiny assts.	2074238	1077311	60%	51.9%
4.	Out of (3) above scrutiny assts. with returned/ last assessed income of Rs. 1 lakh and above	82257	57281	75%	69.6%
5.	Summary & Salary Assessments	4764926	3305868	85%	69.4%
6.	Search & Seizure assessments :				
	(i) where searches were completed on or before 31.3.80	3537	1847	100%	52.2%

1	2	3	4	5	6
	(ii) where searches were completed between 1.4.80 to 31.3.82	9389	4354	50%	46.4%
7.	Wealth-tax Assessments with returned/last assessed wealth of Rs. 5 lakhs and above	41854	24991	80%	59.7%
II. COLLECTION		(Figures in crores)			
1.	Income-tax Arrear demand	1077.94	465.87	55%	43.2%
2.	Wealth-tax arrear demand	177.57	72.79	55%	41.0%
3.	Gift-tax arrear demand	27.45	14.60	55%	53.2%
4.	Estate Duty arrear demand	27.31	10.42	50%	38.2%
5.	Income-tax current demand	2716.50	2150.59	85%	79.2%

